

The Sizemore Income Letter

August 27, 2021

Chaotic World, Calm Stock Market

By Charles Lewis Sizemore, CFA



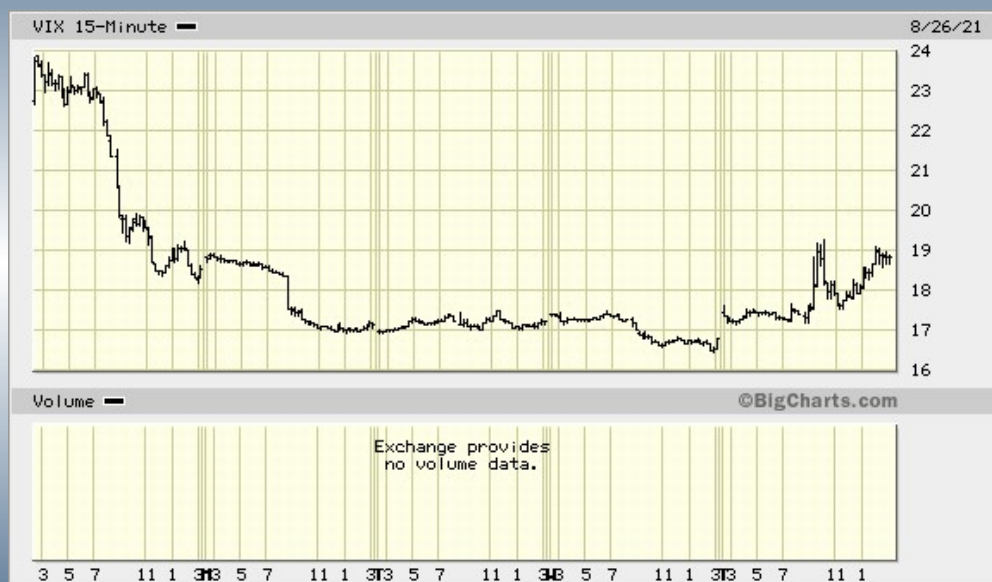
I had to turn off the news this week. It was just too heartbreaking.

Watching 20 years of progress in Afghanistan get undone in a matter of days is awful. And as the father of a baby daughter, I think of all the young women who grew up over the past 20 years in a normal world that will now have all of that taken away.

Closer to home, I see the hospitals filling up again, and that's also awful to watch. I have a good friend who manages a hospital, and I've never seen him this burned out. It just doesn't end.

Yet looking at the stock market, we see a different picture. The VIX, a common benchmark for market volatility, rose a little on Thursday, as you can see in Figure 1. But it's still down for the week. Options traders are pricing in less volatility rather than more.

Volatility Not Spiking



Source: BigCharts

Figure 1

Likewise, the S&P 500 is still bumping against new all-time highs.

If you're scared and uncomfortable being invested in this market, I get it. I feel the same way. Prices seem nutty.

But until something fundamentally changes, it makes sense to stay invested for now. I'm not in a hurry to dump massive amounts of new money into this market. It is by no definition what I'd consider a "fat pitch" to swing at. But earnings still look decent, and the Fed is still printing money. It's really that simple.

And about that...

Fed Chairman Jerome Powell will be speaking at Jackson Hole today, and you can bet that Wall Street will be parsing every word he says. Personally, I'm not expecting much. It's obvious that Powell is torn. He wants to raise rates and normalize policy, but he's afraid to do it. So, I expect him to use intentionally muddled language to essentially kick the can to the next meeting.

We'll see. But until I see firm proof to the contrary, I'm going to assume that the Fed keeps up its wildly accommodative policy.

[Update on Commodity Positions](#)

We're getting awfully close to our stop losses in **BHP Group (NYSE: BHP)** and **Newmont Corp (NYSE: NEM)**. We're not there yet, but if the shares continue to slide we'll be there soon enough. And if that happens, we'll simply follow our stop loss guidance, sell, and move on.

I do, however, think that the recent weakness in commodity stocks is noteworthy. Commodities generally do well when the economy is growing at a fast clip or when inflation is surging. So, sagging performance by commodity stocks suggests that the post-COVID cyclical recovery may be petering out. It also suggests that the Fed's belief that inflation is "transitory" and will subside soon is also true.

Bond yields, which have been dropping since March, would also seem to confirm this.

We'll see. For now, all we can do is keep an eye on it.

I'll go into more detail on this in the next monthly issue, which I'll be publishing next week.

That's all I have for today. Enjoy your weekend, and 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.

Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$ 6.08	\$ 5.50	6.60%	\$ -	-1.14%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$ 11.26	\$ 9.27	6.68%	\$ -	4.55%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$ 20.55	\$ 17.30	7.10%	\$ -	-6.34%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.53	\$ 11.76	5.29%	\$ 0.12	-0.25%	Yes	Buy
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 56.68	\$ 55.43	3.74%	\$ 0.55	-12.92%	Yes	Buy
BHP Group	BHP	2/25/2021	\$78.04	\$ 64.85	\$ 61.57	4.01%	\$ -	-16.91%	Yes	Buy
Vale SA	VALE	2/25/2021	\$17.40	\$ 18.77	\$ 15.28	4.14%	\$ 0.77	12.25%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 48.14	\$ 41.78	8.65%	\$ 2.06	13.03%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 44.27	\$ 40.42	4.48%	\$ 0.82	9.38%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 29.26	\$ 23.45	4.61%	\$ 0.96	12.74%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.16	\$ 15.30	4.49%	\$ 0.69	5.87%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 50.85	\$ 36.20	6.77%	\$ 1.78	70.60%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 41.71	\$ 32.96	5.93%	\$ 1.85	46.45%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 45.79	\$ 35.76	5.30%	\$ 2.48	59.72%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 25.57	\$ 18.15	7.38%	\$ 1.92	75.10%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 63.69	\$ 47.25	4.53%	\$ 2.80	72.93%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.59	\$ 12.19	6.14%	\$ 0.98	45.05%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 101.24	\$ 79.23	4.27%	\$ 5.33	76.47%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.69	\$ 11.46	4.70%	\$ 0.75	32.81%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.94	\$ 16.45	8.20%	\$ 2.00	93.26%	Yes	Buy