

The Sizemore Income Letter

November 24, 2021

Happy Thanksgiving!

By Charles Lewis Sizemore, CFA



Happy Thanksgiving!

If you've already checked out for the week... well, I don't blame you. Enjoy your family, food and football. I'll try to keep this relatively short so as not to cut into your holiday.

One quick thing to note: I'll be publishing the monthly issue early next week. I had to change the publishing schedule slightly to accommodate Thanksgiving.

Now, on to business.

As you probably know, the biggest news in incomeland of late was the renomination of Jerome Powell as Chairman of the Federal Reserve.

I don't have strong feelings either way about Mr. Powell individually. But I think it's fair to say that the role the Fed plays in the economy needs to be examined. We have a system that seems hardwired to perpetually inflate bubbles and then, when they inevitably burst, inflate new bubbles. It seems that both the cause of and the solution to every crisis is more liquidity. Economy is sluggish following the tech bust in 2000? More liquidity! Destabilizing housing and mortgage bubble that tanked the banking system in 2008? More liquidity!

Pandemic? More liquidity! Supply chain disruptions? MORE LIQUIDITY!

It's been one bubble after another for 25 years. And there's no end in sight.

Would I have done things differently in Powell's shoes? Honestly, I have no idea. But it gets more and more obvious with every passing year that we're stuck in a cycle of dependency on cheap and abundant liquidity. And there are nasty side effects. If you own a home, good for you! You just got a lot wealthier in the boom. But housing is now unaffordable for younger workers getting out of college and starting their careers. Buying a home means cutting out other expenses, which in turn saps demand in the real economy. It's hard to see how yet *more* cheap liquidity fixes this problem. It arguably just makes it worse by pushing asset prices even higher.

But let's be clear. None of this is going to get fixed anytime soon because there is no consensus on how to get out of the cycle of dependency. If inflation continues to run

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hot, Powell might be forced to take a play out of Paul Volker's playbook and massively jack up interest rates. But doing that would almost certainly cause a recession... and even more pain for those younger workers priced out of the housing market. And the only tool the Fed would have to fight the recession would be to lower interest rates again... bringing us right back to where we are today.

In a nutshell, most economists more or less agree at this point that the status quo has some serious problems. But no one knows how to change it or what a new policy regime would look like. So, here we are...

Had President Biden chosen someone other than Powell, it wouldn't have made much of a difference. The Fed's Board has its "hawks" and its "doves." But they really only differ around the edges. Just as Powell was not materially different than Yellen or Bernanke, none of the other candidates were all that different from Powell.

At any rate, we're not going to fix this mess today. It may never get fixed, or at least not in our lifetimes. But we do still have portfolios to run.

As you know, I've been getting more cautious of late. I've been raising our stop losses, and I'm prepared to exit our positions and sit in cash if those stops get triggered.

Because we focus on income stocks, I'm particularly interested in the moves in the 10-year treasury yield. As I write this, the 10-year yield is creeping back to the highs seen in early March. This is something I'm monitoring. Should yields push above those levels and continue rising, we may need to reshuffle the portfolio a little. There's no action to take today, but this is something I will be monitoring.

That's all for this week. Have a happy Thanksgiving, and until next time, keep cashing those dividend checks!

A handwritten signature in blue ink that reads "Charles Sizemore". The signature is written in a cursive, flowing style.

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
Chevron Corporation	CVX	9/30/2021	\$103.33	\$117.09	\$85.88	4.62%	\$ -	13.32%	Yes	Buy
AGNC Investment Corp.	AGNC	8/30/3031	\$16.23	\$16.07	\$14.93	8.71%	\$ 0.24	0.49%	Yes	Buy
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$5.66	\$5.50	6.60%	\$ 0.10	-6.42%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$12.06	\$9.63	6.68%	\$ 0.19	13.70%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$23.28	\$17.30	7.10%	\$ 0.76	9.55%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$12.69	\$11.76	5.29%	\$ 0.36	-4.58%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$47.70	\$41.78	8.65%	\$ 4.12	16.69%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$42.81	\$40.42	4.48%	\$ 1.81	8.24%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$34.42	\$26.95	4.61%	\$ 1.29	33.21%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$18.28	\$15.30	4.49%	\$ 0.92	7.84%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$55.57	\$40.88	6.77%	\$ 3.58	91.73%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$46.47	\$34.89	5.93%	\$ 2.88	65.94%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$47.38	\$37.57	5.30%	\$ 3.10	67.01%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$26.28	\$18.15	7.38%	\$ 2.40	82.68%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$58.74	\$47.65	4.53%	\$ 3.50	61.87%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.80	\$12.24	6.14%	\$ 1.20	49.07%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$92.21	\$79.23	4.27%	\$ 6.46	63.39%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$12.06	\$11.77	4.70%	\$ 0.90	28.00%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$20.67	\$17.55	8.20%	\$ 2.41	103.35%	Yes	Buy

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