

# The Sizemore Income Letter

December 10, 2021

## Will We Get a Santa Claus Rally?

By Charles Lewis Sizemore, CFA



The financial press can really be infantile. Every year I cringe when I hear about the Santa Claus rally. It really is absurd that this is the vocabulary that men and women with Ivy League master's degrees use to describe the stock market.

But I guess I'm going to do it anyway...

The stock market tends to do well in December and January, hence the name "Santa Claus rally." As for the why, pick a reason. It's likely due in large part to end-of-year portfolio shuffling and repositioning for the new year. Most institutional investors get their tax loss selling over with early, and mutual funds in particular finish theirs in October. So with the big selling already out of the way, the buyers tend to dominate.

This isn't some kind of iron-clad law. It's just the market's general tendency. And thus far, it looks like it might hold this year. After the omicron dip after Thanksgiving, the direction has been mostly higher.

We'll see.

In the meantime, the inflation news continues to make headlines. CPI inflation hit a 39-year high last month. And perhaps more ominously, Fed Chairman Jerome Powell has altered his phrasing in recent appearances, implying that inflation on its current path might not actually be all that "transitory."

But here's the piece that doesn't fit. Bond yields have actually been trending *lower* since mid-October. While Powell seems to be concerned that inflation isn't quite so transitory, the bond market is sending the opposite sign.

What are we supposed to make of this?

It seems that the bond market is more worried about turbulence ahead than it is about inflation. That could make sense if the thinking is that higher inflation today will mean a more hawkish Fed tomorrow.

And it would also seem that insider stock trading patterns are telling a similar story. The Wall Street Journal reported this morning that insider selling is at "historic" levels,

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with Facebook's Mark Zuckerberg, Google's Larry Page and Sergey Brin and the Walton family of Walmart fame being among some of the biggest sellers.

Am I taking this as a sign to sell everything myself and bury myself in a bunker?

No. Or at least not yet. But it does strengthen my belief that it makes sense to tread carefully here and keep our stops a little tighter than usual. With the market priced where it is today and with the Fed starting the process of draining liquidity out of the market, it wouldn't take much to spark a sharp decline.

I know that you likely get investment advice from more people than just me, and I encourage that. You should always get a diversity of opinions, digest them, and then make the decision that makes the most sense for you.

If you have one takeaway from today's update, let it be this: **I would encourage you to think more like a shorter-term trader right now than as a long-term investor.** I have a small handful of "forever" stocks that I have no intention of selling today or ever. You can see them in my Forever Portfolio, which I included this week below the main portfolio. But most of my personal capital and that of my clients are in short-term strategies that aim to squeeze out a percent or two per month without much correlation to the market. I really feel like that's the best move right now at this point in the cycle.

That said, I still love my dividends... and I'll be looking to add one last solid dividend payer before the end of the year. So, watch your inbox next week.

That's all for this week. Until next time, keep cashing those dividend checks!



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](mailto: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
EPR Properties	EPR	11/29/2021	\$47.78	\$47.06	\$33.92	6.28%	\$ -	-1.51%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$117.89	\$85.88	4.62%	\$ -	14.09%	Yes	Buy
AGNC Investment Corp.	AGNC	8/30/3031	\$16.23	\$15.61	\$14.93	8.71%	\$ 0.24	-2.34%	Yes	Buy
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$5.59	\$5.50	6.60%	\$ 0.10	-7.51%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$12.06	\$9.63	6.68%	\$ 0.19	13.74%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$21.56	\$17.30	7.10%	\$ 0.76	1.73%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$12.52	\$11.76	5.29%	\$ 0.36	-5.85%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$45.30	\$41.78	8.65%	\$ 4.12	11.29%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$43.61	\$40.42	4.48%	\$ 1.81	10.19%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$33.65	\$26.95	4.61%	\$ 1.29	30.35%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$18.11	\$15.30	4.49%	\$ 0.92	6.91%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$50.80	\$40.88	6.77%	\$ 3.58	76.27%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$43.94	\$34.89	5.93%	\$ 2.88	57.43%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$47.96	\$37.57	5.30%	\$ 3.10	68.93%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$24.56	\$18.15	7.38%	\$ 2.40	71.72%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$54.64	\$47.65	4.53%	\$ 3.50	51.20%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.49	\$12.24	6.14%	\$ 1.20	46.23%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$89.82	\$79.23	4.27%	\$ 6.46	59.42%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$12.26	\$11.77	4.70%	\$ 0.90	29.96%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$20.75	\$17.55	8.20%	\$ 2.41	104.01%	Yes	Buy

## The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Prologis	PLD	10/29/2021	\$ 146.67	\$ 158.64	None	1.75%	\$ -	8.16%	Yes
Crown Castle International	CCI	12/29/2021	\$ 181.90	\$ 192.25	None	3.27%	\$ -	5.69%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 90.04	None	5.27%	\$ 1.20	2.12%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 45.02	None	7.58%	\$ 5.12	35.15%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 66.98	None	3.86%	\$ 3.75	47.11%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 22.78	None	8.30%	\$ 3.64	-15.20%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 21.32	None	7.42%	\$ 2.24	62.22%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 16.05	None	6.24%	\$ 1.32	55.06%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 48.52	None	3.28%	\$ 3.04	158.07%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 346.53	None	2.48%	\$ 10.00	90.05%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 45.80	None	3.69%	\$ 2.57	60.52%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 44.45	None	3.32%	\$ 1.93	113.62%	Yes
Investments	ROIC	3/19/2020	\$ 7.25	\$ 18.51	None	2.47%	\$ 0.42	161.03%	Yes

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