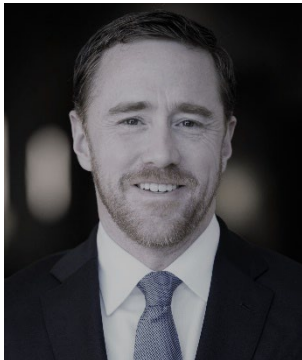


# The Sizemore Income Letter

April 22, 2022

## A 0.75% Rate Hike?!?

By Charles Lewis Sizemore, CFA



It's flat-out nasty out there. As I write this, the Dow is down almost 800 points, and the day isn't over yet.

As for the why, it comes down to the Fed. Or more specifically, what Wall Street fears the Fed might do next.

The Japanese bank Nomura announced that it expects the Fed to hike rates by 0.75% in both June and July... and this would follow a 0.5% hike next month. I can't this announcement is the definitive "reason" the market is selling off today, as it's never quite that simple. But I can tell you that Nomura's comments definitely capture the fear gripping Wall Street right now.

We've had Fed tightening cycles before. But given just how badly inflation is raging at the moment, we may be looking at the most aggressive tightening cycle of our lifetimes.

Maybe.

Remember, the Fed has a dual mandate. It's tasked with maintaining stable prices and full employment. Well, today employment isn't much of an issue. We have a worker shortage, for crying out loud. So the Fed's focus is rightly on inflation.

But if the Fed tightens too quickly, it will trigger a legitimate bear market and recession... which will cause unemployment to rise, thus forcing the Fed to change its focus again.

I think it's pretty likely that the Fed ultimately hikes short-term rates to something between 2% and 2.5% from today's targeted range of 0.25% to 0.5%. We may get there quickly... or it might drag on for a while. But I don't see rates going much higher than that unless inflation is still raging by the end of the year.

We'll see.

In the meantime, we should expect volatility. The stock market is a discounting machine that translates future expected profits into current stock prices. Rising interest rates make those future earnings worth less in today's dollars. So until Wall Street has a good handle on where exactly rates are going, there's going to be a lot of churn in the stock market.

March 17, 2022

That's ok. We'll continue to cash our dividend checks and, as needed, sell out of positions that are facing serious headwinds.

I have nothing else to report. So, please enjoy your weekend, and we'll pick this up next week.

A handwritten signature in blue ink that reads "Charles Lewis Sizemore". The signature is fluid and cursive, with a long horizontal stroke at the end.

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](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
Digital Realty Trust	DLR	3/24/2022	\$136.79	\$150.96	\$106.88	3.57%	\$ -	10.36%	Yes	Buy
Vertical Capital Income Fund	VCIF	1/27/2022	\$9.99	\$9.93	\$8.95	9.23%	\$ 0.07	0.13%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.30	\$7.30	7.42%	\$ 0.18	40.67%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$56.01	\$33.92	6.28%	\$ 1.00	19.32%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$161.77	\$126.42	4.62%	\$ 2.76	59.23%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$11.75	\$10.17	6.68%	\$ 0.59	14.57%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$28.75	\$17.30	7.10%	\$ 0.76	34.50%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$50.93	\$41.78	8.65%	\$ 5.16	26.30%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$41.64	\$40.42	4.48%	\$ 2.55	7.19%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$31.46	\$26.95	4.61%	\$ 1.61	23.40%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$17.44	\$15.30	4.49%	\$ 1.15	4.41%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$42.19	\$40.98	6.77%	\$ 3.58	48.36%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$42.33	\$35.50	5.93%	\$ 3.91	55.48%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$57.11	\$40.12	5.30%	\$ 4.33	103.32%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$23.94	\$18.15	7.38%	\$ 2.88	70.80%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$68.60	\$47.65	4.53%	\$ 4.90	91.16%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.92	\$12.53	6.14%	\$ 1.61	54.01%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$107.54	\$79.23	4.27%	\$ 8.72	92.52%	Yes	Buy
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$21.79	\$17.91	8.20%	\$ 2.85	117.10%	Yes	Buy

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