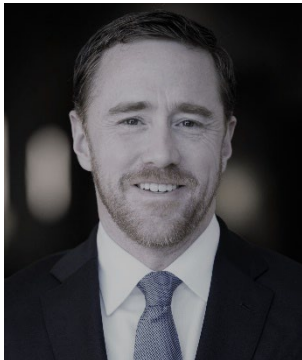


The Sizemore Income Letter

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What Happens Now?

By Charles Lewis Sizemore, CFA



What a week.

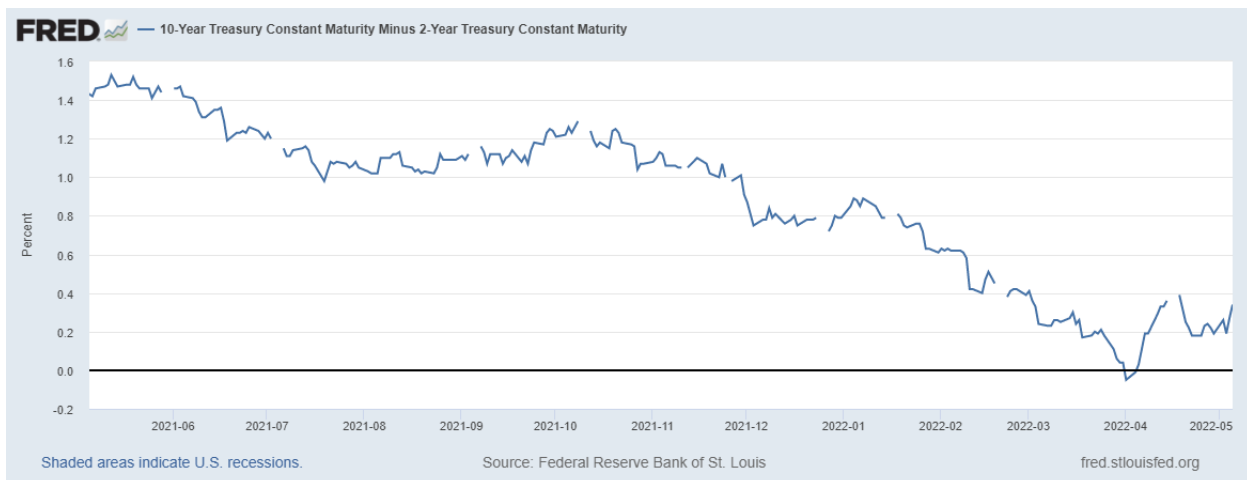
After initial rallying hard following the Fed's decision to raise rates by 0.5%, stocks rolled over and died on Thursday, with the Dow down well over 1,000 points. As I write this, the market is struggling to get to breakeven on the day. We'll see if it gets there.

There's not much to say about the market's swoon that you haven't already read elsewhere. We're in a bear market (even if the S&P 500 has not "officially" passed the 20% decline threshold), and volatile price swings are the norm. We will have violent up days... and violent down days.

The issue is... and has been... inflation. The low inflation of the past 20 years gave the Fed license to do pretty much whatever it wanted with monetary policy. So long as inflation was more or less in check, no one minded. But now, the Fed has to balance its need to keep prices in check with the second part of its mandate, maintaining full employment.

Right now, there is no real visibility as to how this turns out. Will the Fed be forced to engineer a recession in order to blunt inflation?

No one knows. And until there is more visibility, I expect the market to stay choppy.



As for recession clues, take a look at the chart on the previous page. This measures the 10-year yield minus the 2-year yield. It's a common measure of yield curve inversion. When this chart is below zero, it means longer-term yields are lower than shorter-term yields, which is a sign of financial distress and a possible warning sign of recession.

The yield curve briefly inverted last month and remains really flat at the moment. This does not guarantee a recession. But when you couple this with the fact that first quarter GDP actually shrank, it's starting to look a lot more likely.

A recession isn't necessarily the end of the world. They're a normal part of the business cycle, and we manage our portfolios conservatively enough to be able to navigate whatever happens next.

What Do We Do?

I assume that you don't invest every nickel of your portfolio in *Sizemore Income Letter* recommendations. No matter how much I like the income stocks I cover, I always recommend that you diversify. That's just good common sense.

But for now, I recommend you be a little more conservative with all of your investments. You don't necessarily have to sell everything, but be sure to keep a little more cash in reserve than usual. If this bear market accelerates, we'll want to have cash on hand to buy the dips.

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



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
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$65.01	\$47.91	5.73%	\$ -	-0.76%	Yes	Buy
Digital Realty Trust	DLR	3/24/2022	\$136.79	\$141.62	\$106.88	3.57%	\$ -	3.53%	Yes	Buy
Vertical Capital Income Fund	VCIF	1/27/2022	\$9.99	\$9.25	\$8.95	9.23%	\$ 0.07	-6.66%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.71	\$7.30	7.42%	\$ 0.18	45.61%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$52.13	\$33.92	6.28%	\$ 1.00	11.20%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$169.00	\$126.42	4.62%	\$ 2.76	66.22%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$10.64	\$10.17	6.68%	\$ 0.59	4.28%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$29.20	\$17.30	7.10%	\$ 0.76	36.55%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$49.41	\$41.78	8.65%	\$ 5.16	22.88%	No	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$29.74	\$26.95	4.61%	\$ 1.61	16.96%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$17.99	\$15.30	4.49%	\$ 1.15	7.50%	Yes	Buy
Main Street Capital	MAIN	9/25/2020	\$29.74	\$40.50	\$35.50	5.93%	\$ 3.91	49.34%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$54.28	\$40.12	5.30%	\$ 4.33	93.95%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$23.76	\$18.15	7.38%	\$ 2.88	69.68%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$68.15	\$47.65	4.53%	\$ 4.90	89.99%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.70	\$12.53	6.14%	\$ 1.61	51.96%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$110.00	\$79.23	4.27%	\$ 8.72	96.58%	Yes	Buy
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$20.29	\$17.91	8.20%	\$ 2.85	103.88%	Yes	Buy

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