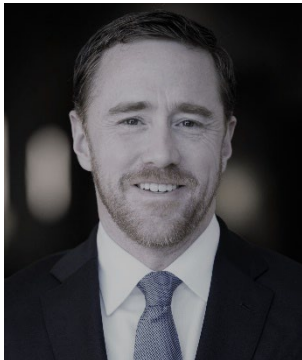


The Sizemore Income Letter

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Something is **STILL** Going to Break

By Charles Lewis Sizemore, CFA



Another week, another new high in bond yields. And as you can imagine, the stock market isn't quite sure how to interpret the news.

On the one hand, high and rising yields are a sign that the economy is still hot. And anecdotally, I can vouch for that. The shops are still full of shoppers, and it's weirdly hard to get a table at a restaurant even on a random weekday in every American city I've visited over the last month... and there's been a few.

The higher rates go, the greater the likelihood that something "breaks." That was the title of the update last week, and I'm reusing it this week.

You know me. I rarely speak in absolutes. You will almost never hear me make a comments like the market "has" to rise or fall or the economy "has" to boom or bust. This is a game of assigning the best probabilities you can with the messy and incomplete data at your disposal.

That said, the inverted yield curve is an awfully good indicator of recessions. I'm not going to tell you a recession is "guaranteed" because the 10-year Treasury yield is the lowest it's been relative to the 2-year in over two decades. But historically, it's been a real sign of trouble ahead.



The one exception here might be the COVID recession of 2020. The curve EVER so slightly inverted in the summer of 2019. I'm not going to get weird and mystical and claim that the bond market somehow forecast a world-ending pandemic.

But that one questionable datapoint aside, the inverted yield curve has preceded a recession every time for as long as I've been alive.

Maybe this time is different. Who knows. But I think it makes sense to be careful here, particularly if you're in or close to retirement.

I've been pounding the table saying that short-term Treasuries are a great place to park money right now. I will repeat that again today: **Short-term Treasuries are a great place to park money right now.**

I also think it's perfectly fine to be averaging in to stocks you intend to hold for the long-term. I don't recommend jumping in with both feet, but some modest buying here, particularly on days when the market is down, is prudent. I would also recommend setting your dividends to automatically reinvest if you don't need the income for immediate spending.

Otherwise, remember that you don't have to be fully invested. Cash is a position too, and it's perfectly fine to be heavy in cash when the market isn't cooperating.

I have no specific trades to make today, but I would point out that we are getting close to our stops in a handful of stocks. That's ok. If we get stopped out, we get stopped out. We'll just bide our time and look for opportunities as they come.

That's all I have for now. Until next week, keep cashing those dividend checks!



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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
National Storage Affiliates	NSA	8/30/2022	\$52.95	\$39.90	\$39.16	5.51%	\$ -	-24.65%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$56.04	\$33.01	6.23%	\$ -	20.54%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$42.92	\$32.57	4.75%	\$ 0.51	-8.26%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$55.07	\$47.91	6.79%	\$ 1.87	-13.07%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.89	\$7.79	7.74%	\$ 0.61	53.13%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$36.66	\$33.92	9.00%	\$ 2.65	-17.73%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$168.96	\$130.77	3.36%	\$ 5.60	68.93%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$27.74	\$20.49	7.35%	\$ 2.16	36.28%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$49.66	\$41.78	8.36%	\$ 6.20	25.78%	No	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$46.30	\$42.57	5.33%	\$ 5.57	71.64%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$18.98	\$18.15	10.12%	\$ 3.84	45.35%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$12.64	\$12.53	8.54%	\$ 2.15	37.79%	Yes	Buy

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