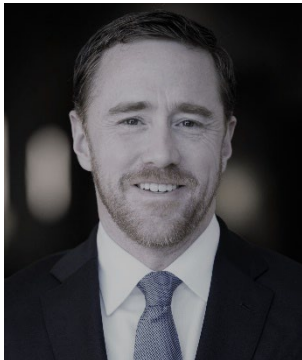


The Sizemore Income Letter

May 12, 2023

Nothing To Do But Wait

By Charles Lewis Sizemore, CFA



I live for the day that adults run our country. But it hasn't happened yet in my lifetime, and I'm not holding my breath.

You're probably aware there is a debt ceiling standoff between President Biden and Speaker of the House McCarthy. Neither side is budging, and if they don't reach an agreement, the United States of America will default on its debts.

Now, I don't think it actually happens. I tend to agree with JP Morgan CEO Jamie Dimon, who recently said he expected congress would be forced to act if gets too close to the wire.

Our government is full of morons, but they are aware of who pays them. And I am not speaking of you and me, the taxpayers. I'm speaking about their donors. When a congressman gets a phone call from an angry donor, they tend to listen. So, I expect Kevin McCarthy to be getting a lot of angry phone calls over the next few weeks... and I expect him to make a deal.

But...

McCarthy also has more to lose than Biden. If he backs down too soon or doesn't get enough concessions, the right flank of his party – which barely tolerates him as is – may end his tenure as Speaker and effectively end his political career.

So... while I expect donor pressure to force him to make a deal to avoid default, it's possible that he simply loses control of the situation.

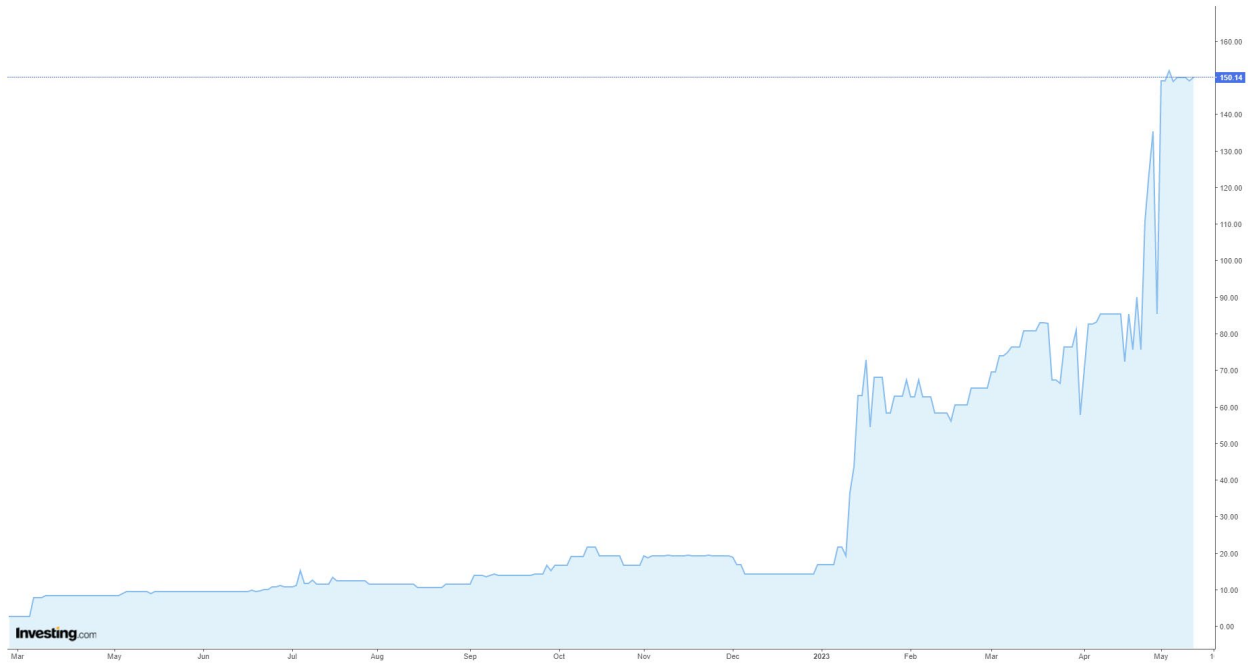
In other words... we might default or at least get close enough to a default to create some real fireworks in the market.

Take a look at the chart on the next page. This is a chart of credit default swaps on Uncle Sam. Even if the stock and bond markets seems calm at the moment, there is a reason that the price of insurance against a sovereign default have risen by a factor of 10 this year.

Now, again, I don't think default happens. But there is a big enough chance that it could to make me cautious.

So...

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 United States CDS 1 Year USD, United States, NYSE:USGV1YUSAB-R, D



If you're sitting on cash right now, I would recommend continuing to sit on it for now. I don't think you need to sell everything and run for the hills. If you have good long-term stocks – ahem, like those in our portfolios here! – then continue holding them. But maybe take this time to do a little portfolio housecleaning and sell some of your stocks you're less committed to. And keep any excess cash liquid because there is a real chance you'll get a great buying opportunity in a few weeks if this all blows up.

So, I have no specific action to take this week, but rather a more general note to be cautious and keep some cash on hand.

On that note, have a great weekend, and keep cashing those dividend checks!

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.

The Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
W.P. Carey Inc	WPC	4/26/2023	\$73.59	\$71.59	\$59.92	5.96%	\$ -	-2.72%	Yes	Buy
Nuveen Real Estate Income Fund	JRS	1/30/2023	\$8.46	\$7.20	\$6.41	9.77%	\$ 0.17	-12.88%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$29.64	\$20.15	11.84%	\$ -	2.95%	Yes	Buy
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$26.36	\$20.41	6.68%	\$ 0.89	-1.79%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$46.72	\$41.42	7.47%	\$ 1.07	2.79%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$45.18	\$36.00	4.52%	\$ 1.02	-2.41%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$62.92	\$47.91	5.94%	\$ 2.81	0.34%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$12.22	\$8.59	7.53%	\$ 0.87	60.36%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$41.15	\$33.92	8.02%	\$ 3.20	-7.18%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$155.90	\$132.62	3.64%	\$ 7.02	57.66%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$26.96	\$20.49	7.57%	\$ 2.68	35.07%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$55.14	\$41.78	7.53%	\$ 9.33	45.17%	No	Buy

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
National Retail Properties	NNN	9/29/2022	\$ 39.07	\$ 43.72	None	5.03%	\$ 1.10	14.70%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 36.67	None	3.60%	\$ 0.99	15.97%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 167.67	None	2.82%	\$ 3.54	29.43%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 54.10	None	2.74%	\$ 1.11	17.38%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 28.68	None	3.07%	\$ 0.44	16.64%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 90.13	None	2.40%	\$ 1.62	35.12%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 157.92	None	2.58%	\$ 3.06	30.00%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 157.61	None	2.74%	\$ 3.24	14.01%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 63.88	None	2.76%	\$ 1.32	-0.55%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 124.62	None	2.54%	\$ 3.79	-12.45%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 115.85	None	5.08%	\$ 7.45	-32.22%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 94.48	None	5.38%	\$ 7.49	14.12%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 45.31	None	8.30%	\$ 10.60	50.70%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 61.96	None	5.10%	\$ 8.40	46.34%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 17.08	None	6.50%	\$ 5.79	-26.57%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 25.94	None	7.32%	\$ 5.51	116.56%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 16.69	None	6.65%	\$ 3.24	77.94%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 46.48	None	3.87%	\$ 5.74	161.38%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 292.44	None	2.74%	\$ 35.15	74.62%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 31.59	None	5.86%	\$ 4.77	20.65%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 34.62	None	4.22%	\$ 4.23	78.94%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 12.38	None	4.85%	\$ 1.27	88.21%	Yes

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