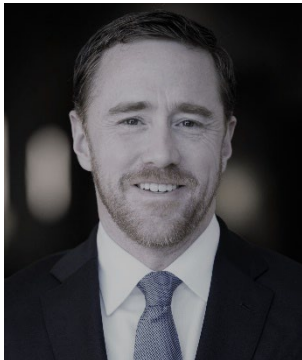


# The Sizemore Income Letter

August 25, 2023

## What Does the Fed Do Next?

By Charles Lewis Sizemore, CFA



I'm working on the next monthly issue of the *Sizemore Income Letter*, which is due next week. So, I'll keep this update short and sweet.

Let's talk about the Fed.

I live for the day that we can just manage our portfolios based on the investment merits of the companies themselves, but for the past several years we've lived in a Fed-centric market, and that's not changing this month...

At any rate, Chairman Jerome Powell and his associates are meeting in Jackson Hole, Wyoming this week, and this is one of the most closely watched meetings of the year. Investors are looking for any clues of what the Fed's next move might be. Are higher rates on the horizon? Or might the Fed be done for a while?

The Fed's policy here reminds me of America's "strategic ambiguity" regarding Taiwan. The U.S.'s unofficial policy is to keep both China and Taiwan guessing as to whether we'd military intervene in the event that China invaded Taiwan. The idea is that, given the uncertainty, China will err on the side of caution and not invade... and that Taiwan will avoid doing anything too inflammatory towards China... just in case.

That's where Powell is. By keeping it ambiguous as to what his plans are, he's hoping to jawbone market expectations lower... but not enough to spook them into a panic that might in turn slide into a recession.

Let's take a look at what he actually said.

*"At last year's Jackson Hole symposium, I delivered a brief, direct message. My remarks this year will be a bit longer, but the message is the same: It is the Fed's job to bring inflation down to our 2 percent goal, and we will do so..."*

*"Although inflation has moved down from its peak — a welcome development — it remains too high. We are prepared to raise rates further if appropriate, and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective."*

Great! But notably absent here was anything resembling a timeline. We don't know *when* he's going to beat inflation back down to 2%.

There are a few takeaways here though. There was a growing belief – which I soundly dismissed as wishful thinking – that the Fed would start lowering rates by the end of the year. Powell has never hinted at such a thing, and he's not doing that today.

He's telling us that we essentially have two possible scenarios. Either rates stay where they are today... or they go higher.

That's it.

Regarding the timing, Powell said "over time." We are left to guess what exactly that means, but the general consensus seemed to be that Powell would refrain from raising rates at the next meeting... but might resume again at the one that follows.

We'll see.

This is what it means for us. I expect most income stocks to remain in a sort of limbo for most of the rest of this year. With bond yields drifting higher (and their prices drifting lower), it's not easy for high-yield stocks to advance. Rising bond yields are a major headwind.

I would view this as an opportunity to accumulate shares, particularly in our "Forever Portfolio" stocks. If you don't need the cash for current living expenses, reinvest your dividends in new shares. When you eventually stop the reinvestment and take the dividends as cash, you'll be doing it on a larger base of shares.

Now – when prices are depressed and buyers are scarce – is the time to accumulate good dividend payers. I wouldn't suggest dropping your entire nest egg into them because I would *never* recommend that for any investment ever. But I absolutely would recommend you take your spare cash and average in to these positions for the rest of the year.

I don't know when high-yield dividend stocks finally bottom out. I assume they will bottom out just before bond yields peak, but I can't give you a specific date. But I can tell you that, a few years from now, when you're enjoying a steady stream of what I presume will be significantly higher dividend checks, you'll be glad you took the plunge and brought them.

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](mailto: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
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$23.70	\$18.10	4.61%	\$ -	0.45%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$33.21	\$26.98	6.74%	\$ -	-4.62%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$10.39	\$8.34	3.49%	\$ -	-2.81%	Yes	Buy
W.P. Carey Inc	WPC	4/26/2023	\$73.59	\$64.72	\$59.92	6.59%	\$ 1.07	-10.60%	Yes	Buy
Nuveen Real Estate Income Fund	JRS	1/30/2023	\$8.46	\$7.18	\$6.41	9.77%	\$ 0.34	-11.11%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$31.31	\$20.15	11.21%	\$ -	8.74%	Yes	Buy
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$22.96	\$20.41	7.67%	\$ 1.34	-12.45%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$50.85	\$41.42	6.86%	\$ 1.07	11.68%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$41.04	\$36.00	4.97%	\$ 1.02	-11.15%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$65.34	\$47.91	5.72%	\$ 2.81	4.04%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$13.15	\$8.59	7.00%	\$ 0.87	71.81%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$44.00	\$33.92	7.50%	\$ 3.20	-1.21%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$159.67	\$132.62	3.56%	\$ 7.02	61.32%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$31.12	\$20.49	6.56%	\$ 2.68	54.06%	Yes	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	\$ 39.31	None	5.60%	\$ 1.10	3.42%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 29.96	None	4.41%	\$ 0.99	-4.68%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 154.39	None	3.06%	\$ 3.54	19.39%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 42.10	None	3.52%	\$ 1.11	-8.14%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 23.67	None	3.72%	\$ 0.44	-3.44%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 68.57	None	3.15%	\$ 1.62	3.37%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 142.27	None	2.87%	\$ 3.06	17.36%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 121.75	None	3.55%	\$ 3.24	-11.40%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 60.44	None	2.91%	\$ 1.32	-5.80%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 122.67	None	2.58%	\$ 3.79	-13.78%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 99.68	None	5.90%	\$ 7.45	-41.11%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 94.98	None	5.35%	\$ 7.49	14.68%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 43.73	None	8.60%	\$ 10.60	46.44%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 56.07	None	5.10%	\$ 8.40	34.09%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 14.13	None	7.86%	\$ 5.79	-36.06%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 26.50	None	7.17%	\$ 5.51	120.39%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.41	None	6.38%	\$ 3.24	84.37%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 43.21	None	4.17%	\$ 5.74	145.01%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 276.59	None	2.89%	\$ 35.15	66.17%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 34.04	None	5.44%	\$ 4.77	28.78%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 36.30	None	4.02%	\$ 4.23	86.70%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 13.27	None	4.52%	\$ 1.27	100.48%	Yes

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