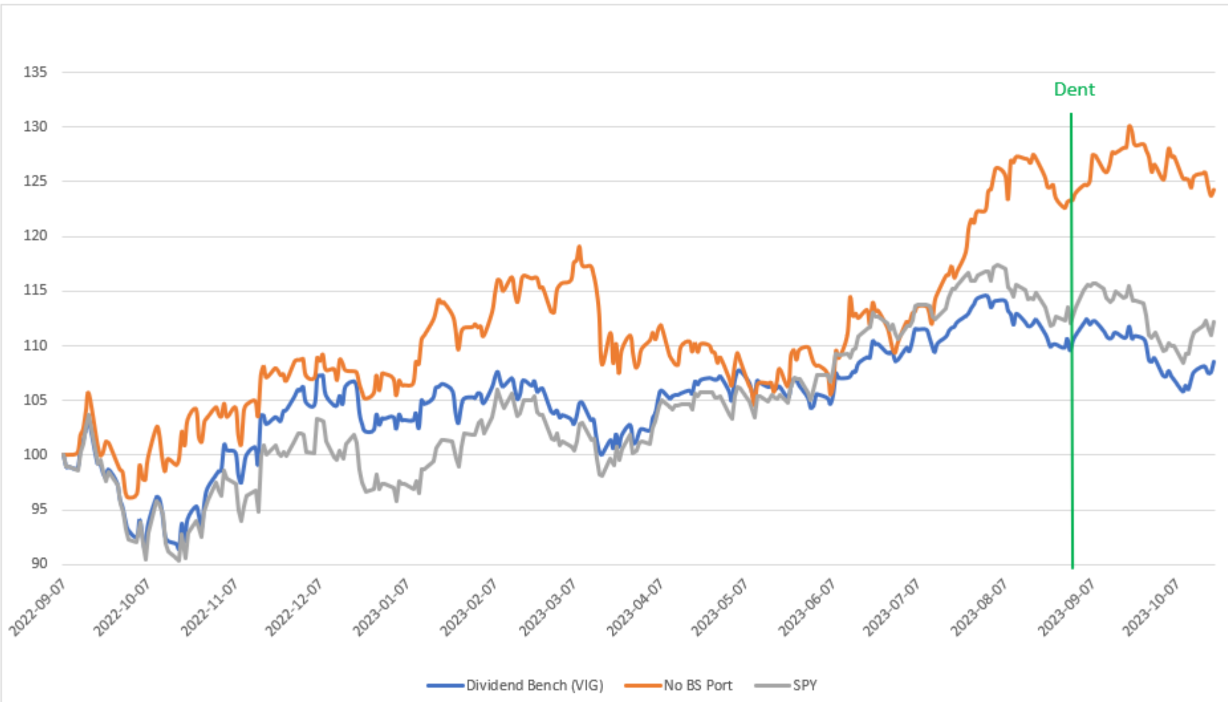
October 23, 2023

The NO BS Growth and Income Portfolio

By John Del Vecchio



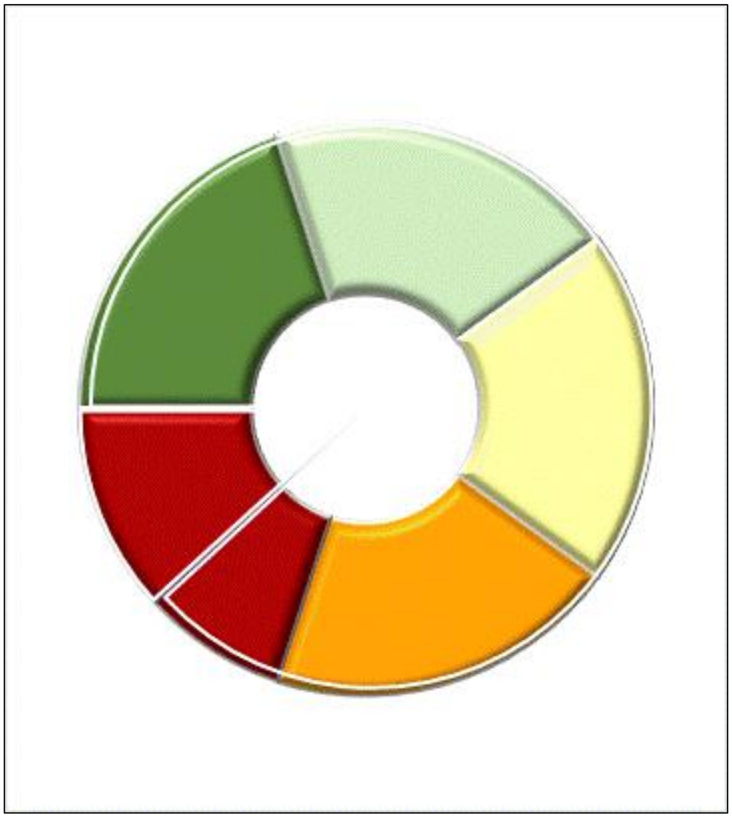
New trades this week: None.

Current Portfolio, October 23, 2023

Ticker	Name	Return	Days Held	Sector
AVT	Avnet, Inc.	-3.36%	39	Technology
CGEAF	Cogeco Communications, Inc.	-11.85%	67	Telecommunications
ETD	Ethan Allen Interiors, Inc.	22.70%	413	Consumer Cyclicals
HVT	Haverty Furniture Cos., Inc.	8.80%	158	Consumer Cyclicals
MCEM	The Monarch Cement Co.	-1.36%	39	Non-Energy Materials
PEBK	Peoples Bancorp of North Carolina, Inc.	-1.81%	81	Finance
PSX	Phillips 66	20.84%	165	Energy
THFF	First Financial Corp. (Indiana)	-5.04%	143	Finance
UNM	Unum Group	30.06%	413	Finance
VLO	Valero Energy Corp.	1.53%	4	Energy

Risk-O-Meter

***The Risk-O-Meter remains in the* "red zone." Action: none.**



‘Passive Income’ Implosion

One of the biggest fallacies in the retirement/savings/investing space is that owning income property is "passive" income.

There is nothing passive about renting out a property, whether it's a long-term rental or an Airbnb situation.

I have done both.

It’s work.

Nevertheless, the income property market has soured due to the 10-Year Treasury yield converging with the cap rate on income properties (the cap rate is the expected rate of return on real estate investment property).

The chart above shows that the 10-Year Treasury has surged while the cap rate has fallen from about 5.8% to 4.6%.

The result?

It’s not worth owning an income property. Investor real estate purchases have fallen 45% this year. It's simply a better investment to own 10-Year Treasuries.

Now, *that’s* passive.

In past issues, I have discussed how trillions of dollars in debt will roll over in commercial real estate over the next few years. That’s going to be an ugly experience. Now, the demand for investment property has imploded. Is the next shoe to drop the stock market?

Here, the forward earnings yield on the S&P 500 is only 0.24% above the 10-Year Treasury yield. That's a lot of risk for 0.24%!

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