

The Sizemore Income Letter

October 26, 2023

Breaking Down the GDP Report

By Charles Lewis Sizemore, CFA



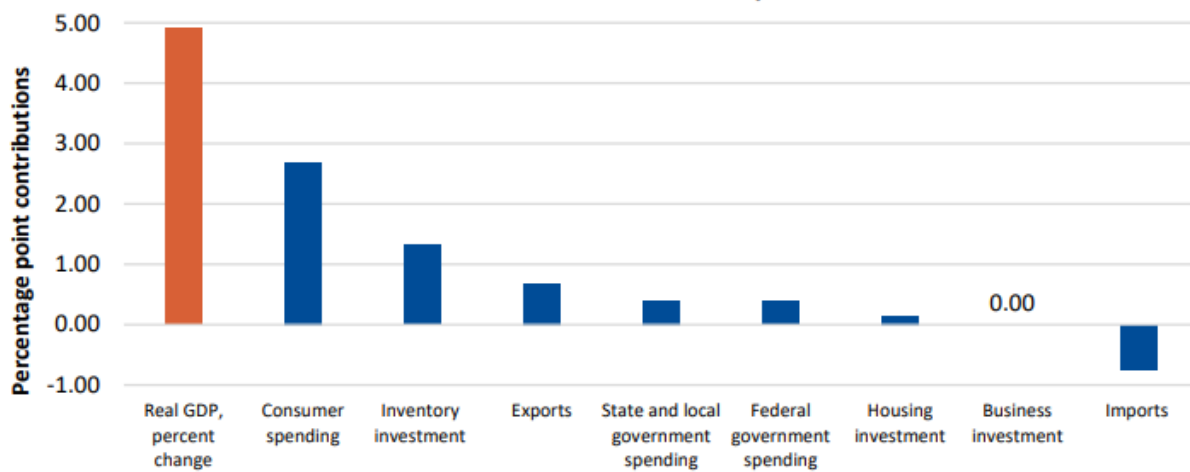
You might have seen the headlines already, but it's worth repeating. The first estimates for third quarter GDP growth are in, and it seems the economy grew at a blistering 4.9% rate in the July-September period.

There's a lot to unpack here, so let's dig into it.

The biggest contributor was consumer spending. It contributed around 60% of the total. In a vacuum, that's not strange. Consumer spending is the biggest contributor to GDP by a country mile, and has been for forever. What shocks me is the resilience in the face of truly brutal inflation and higher interest rates.

Now, digging into the numbers, we get a more complex story. Per the Bureau of Economic Analysis, *"The increase in consumer spending reflected increases in both services and goods. Within services, **the leading contributors were housing and utilities, health care, financial services and insurance**, and food services and accommodations. Within goods, the leading contributors to the increase were other nondurable goods (led by prescription drugs) as well as recreational goods and vehicles."*

Contributions to Percent Change in Real GDP, Third Quarter 2023
Real GDP increased 4.9 percent



Note. Imports are a subtraction in the calculation of GDP; thus, an increase in imports results in a negative contribution to GDP.

We're collectively spending more on rent, the electric bill and insurance. Yeah, that's not such a robust story. This implies that Americans are spending more on *necessities* because prices are rising. That's a very different story than, "Hey, the economy is on fire, and we're going on a shopping spree."

There are some positives. Spending on recreational goods and vehicles was strong, as was spending on food service (i.e., restaurants and bars). But mostly, this GDP report tells the story of an economy in which we're all spending more on basic necessities. And if you need more evidence of that, the same GDP release reported that the personal savings rate dropped from 5.2% in the second quarter to 3.8% this past quarter.

There is a potential light at the end of the tunnel though. Inventory investment was a major contributor to GDP, accounting for 1.3% of the 4.9% total. This tells us that corporate America sees demand rising in the near future. Inventory "right sizing" has been an issue for the past two years, as retailers across the board have found themselves oversupplied with discretionary goods that Americans neither want nor need post pandemic. So restocking is a clearly bullish bet.

We'll see. The market was down on the news, as it shows just how hard it is for the Fed to successfully kill inflation.

That's all I have for this today. We'll pick this up next week with the monthly issue.



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
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$21.37	\$18.10	4.61%	\$ -	-9.41%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$29.17	\$26.98	7.68%	\$ 0.56	-14.62%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$10.11	\$8.34	3.49%	\$ -	-5.43%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$30.15	\$20.15	11.64%	\$ 0.76	7.33%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$55.10	\$41.42	6.33%	\$ 1.07	20.82%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$39.26	\$36.00	5.20%	\$ 1.02	-14.91%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$66.30	\$47.91	5.76%	\$ 2.81	5.50%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$13.55	\$8.59	9.15%	\$ 0.87	76.65%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$41.02	\$33.92	8.05%	\$ 3.20	-7.46%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$154.36	\$132.62	3.91%	\$ 7.02	56.18%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$31.47	\$20.49	8.26%	\$ 2.68	55.65%	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	\$ 35.79	None	6.15%	\$ 2.22	-2.74%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 27.88	None	4.74%	\$ 1.67	-9.01%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 122.86	None	3.84%	\$ 5.92	-2.65%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 41.13	None	3.60%	\$ 1.85	-8.63%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 21.56	None	4.08%	\$ 0.89	-10.07%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 66.04	None	3.27%	\$ 2.75	1.30%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 114.17	None	3.57%	\$ 5.14	-3.65%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 110.87	None	3.90%	\$ 5.42	-17.58%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 56.17	None	3.13%	\$ 2.22	-10.94%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 100.11	None	3.16%	\$ 5.53	-27.97%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 91.22	None	6.45%	\$ 10.58	-44.04%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 89.81	None	5.66%	\$ 10.03	11.74%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 40.53	None	9.28%	\$ 12.48	42.87%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 49.98	None	6.14%	\$ 9.93	24.61%	Yes
AT&T	T	3/19/2020	\$ 23.69	\$ 15.13	None	7.34%	\$ 6.35	-9.34%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 27.24	None	7.34%	\$ 6.50	132.33%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 16.65	None	6.79%	\$ 3.81	82.63%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 42.20	None	4.27%	\$ 6.64	144.46%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 240.75	None	3.32%	\$ 41.15	50.27%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 33.33	None	5.55%	\$ 6.62	32.59%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 32.18	None	4.54%	\$ 4.97	71.12%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 11.45	None	5.24%	\$ 1.57	79.59%	Yes

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