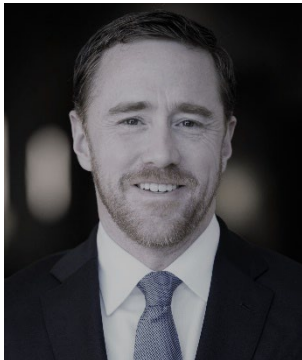


The Sizemore Income Letter

December 1, 2023

Never Ask Why

By Charles Lewis Sizemore, CFA



It's almost always a mistake to ask "why" the market is rising or falling. The "market," after all, isn't a person. It's an amorphous blob of buyers and sellers all reacting to whatever random brain synapse happens to be firing at that exact moment. Often there is no real reason other than that there are more buyers than sellers or more sellers than buyers.

Nevertheless, we're going to go down that rabbit hole of trying to assign reason to something that is inherently unreasonable, so here we go.

There are essentially two primary reasons the market ripped higher in November. The first is the technical reason that, after three rough months of selling, the sellers had exhausted themselves. Everyone itching to sell had sold, so the buyers were back in control.

But the bullish sentiment driving the buyers centered around this persistent believe that Federal Reserve Chairman Jerome Powell has somehow been pulling our leg this whole time and doesn't *really* plan to keep rates high.

Yet just today, Friday, Mr. Powell had this to say in a speech he made at Spelman College in Atlanta.:

"It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance, or to speculate on when policy might ease."

Now, you tell me. Does that sound like a man who plans to start slashing rates early next year?

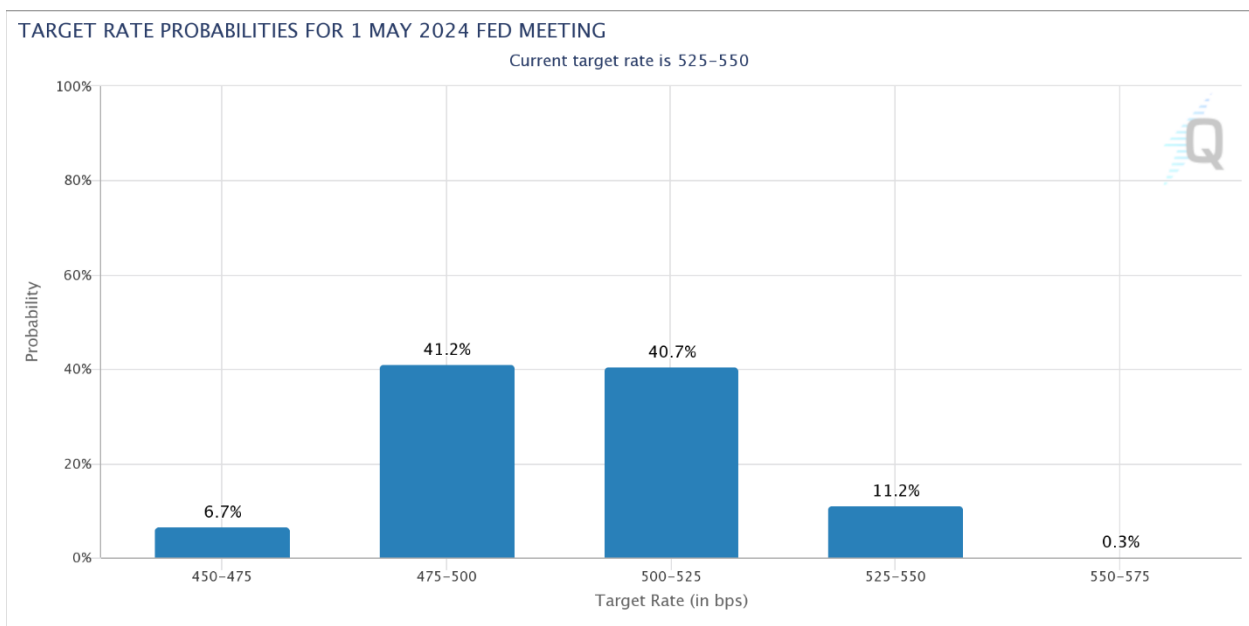
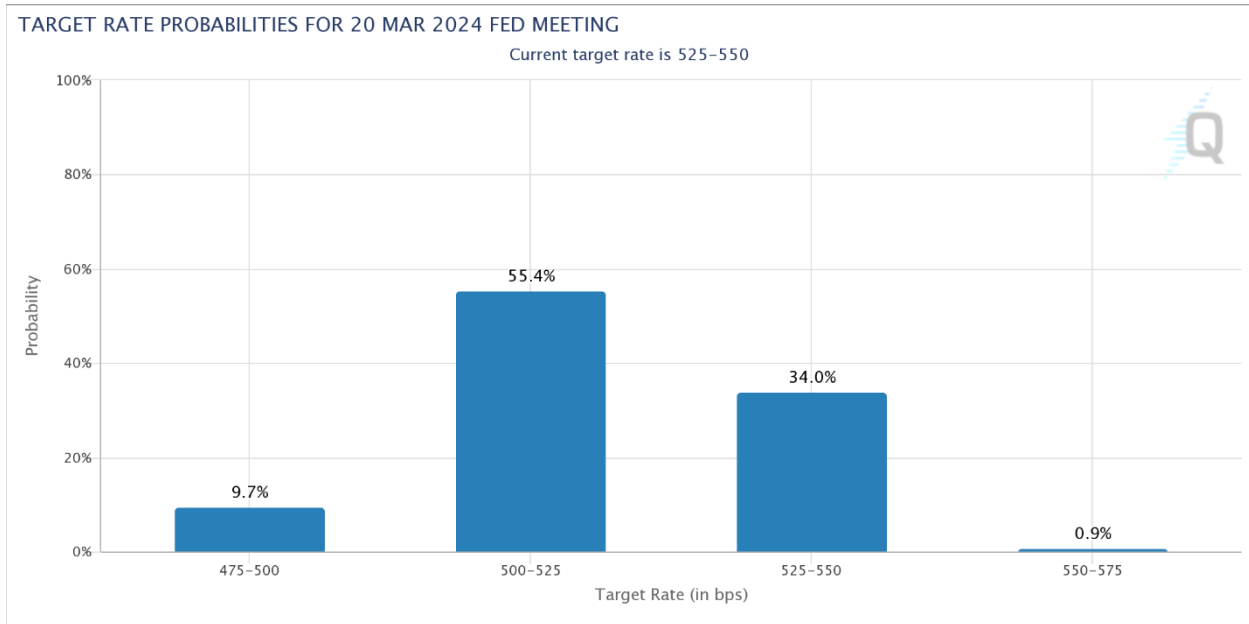
And Powell's not alone. New York Fed President John Williams said earlier this week that inflation remains "too high" and the Fed's work in bringing it down is "not nearly done."

His colleague, San Francisco Fed President Mary Daly, echoed those sentiments:

"I'm not thinking about rate cuts at all right now. I'm thinking about whether we have enough tightening in the system and are sufficiently restrictive to restore price stability."

And yet, rate cuts seem to be the budding consensus. The Fed’s core inflation target is 2%. The October numbers came in at 3.5%, which was an improvement over September’s 3.7% and the 4%+ we saw over the summer. But it’s still a long way from 2%. And the revised 3rd quarter GDP numbers came in hot, showing the economy grew at a blistering rate of 5.2%.

What part of any of this suggests rates are going lower. And yet...the futures markets are pricing in a 55% probability of a 0.25% cut and a 10% probability of a 0.5% cut by March. By May, traders are pricing in an 89% probability that rates are lower.



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As I said at the beginning, sometimes it's best to just not ask why. But I can't help myself. Why on earth do traders seem to believe that rates are going lower?

For the past year, this hope has sprung eternal, only to have the Fed throw a wet blanket on it time and time again.

Could it be different this time? Yes. Would I bet on it? Absolutely not.

All the same, I'm not going to fight the time. The market is ripping higher, and I think it makes sense to participate in that. We certainly are in our portfolios here in the *Sizemore Income Letter*.

But don't go "all in" just yet. I'd recommend keeping a healthy allocation to t-bills too. They're still paying 5%... with no risk.

If this market rally loses steam as I expect it will once the Fed dashes hopes of a rate cut yet again, I think we're going to see a lot of this enthusiasm draining out of the market.

I'll have more to say on this next week, until then, 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
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$24.55	\$18.10	4.61%	\$ 0.28	5.26%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$34.58	\$26.98	6.48%	\$ 0.56	0.92%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$11.73	\$8.34	3.49%	\$ -	9.73%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$34.42	\$20.15	10.20%	\$ 0.76	22.18%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$60.45	\$41.42	5.77%	\$ 1.07	32.33%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$47.23	\$36.00	4.32%	\$ 1.02	1.92%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$69.87	\$47.91	5.47%	\$ 2.81	10.95%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$13.87	\$8.59	8.94%	\$ 0.87	80.64%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$45.40	\$33.92	7.27%	\$ 3.20	1.72%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$144.81	\$132.62	4.17%	\$ 7.02	46.94%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$34.94	\$20.49	7.44%	\$ 2.68	71.47%	Yes	Buy

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Walmart	WMT	11/15/2023	\$ 168.88	\$ 154.35	None	1.48%	\$ -	-8.60%	Yes
Waste Management	WM	11/15/2023	\$ 172.02	\$ 173.84	None	1.61%	\$ -	1.06%	Yes
National Retail Properties	NNN	9/29/2022	\$ 39.07	\$ 41.36	None	5.32%	\$ 2.22	11.53%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 28.36	None	4.66%	\$ 1.67	-7.53%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 143.90	None	3.28%	\$ 5.92	13.26%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 40.60	None	3.65%	\$ 1.85	-9.75%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 21.24	None	4.14%	\$ 0.89	-11.36%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 64.11	None	3.37%	\$ 2.75	-1.53%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 111.42	None	3.66%	\$ 5.14	-5.87%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 134.78	None	3.21%	\$ 5.42	-0.62%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 58.63	None	3.00%	\$ 2.22	-7.18%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 118.26	None	2.67%	\$ 5.53	-15.60%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 118.57	None	4.96%	\$ 10.58	-29.00%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 94.06	None	5.40%	\$ 10.03	16.50%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 42.60	None	8.83%	\$ 12.48	48.46%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 54.59	None	5.62%	\$ 9.93	34.20%	Yes
AT&T	T	3/19/2020	\$ 23.69	\$ 16.77	None	6.62%	\$ 6.35	-2.44%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 26.91	None	7.43%	\$ 6.50	130.06%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.75	None	6.37%	\$ 3.81	92.50%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 46.76	None	3.85%	\$ 6.64	167.28%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 266.01	None	3.01%	\$ 41.15	63.73%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 37.20	None	4.97%	\$ 6.62	45.43%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 36.42	None	4.01%	\$ 4.97	90.65%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 13.15	None	4.56%	\$ 1.57	103.03%	Yes

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