

The Sizemore Income Letter

February 23, 2023

No Recession After All?

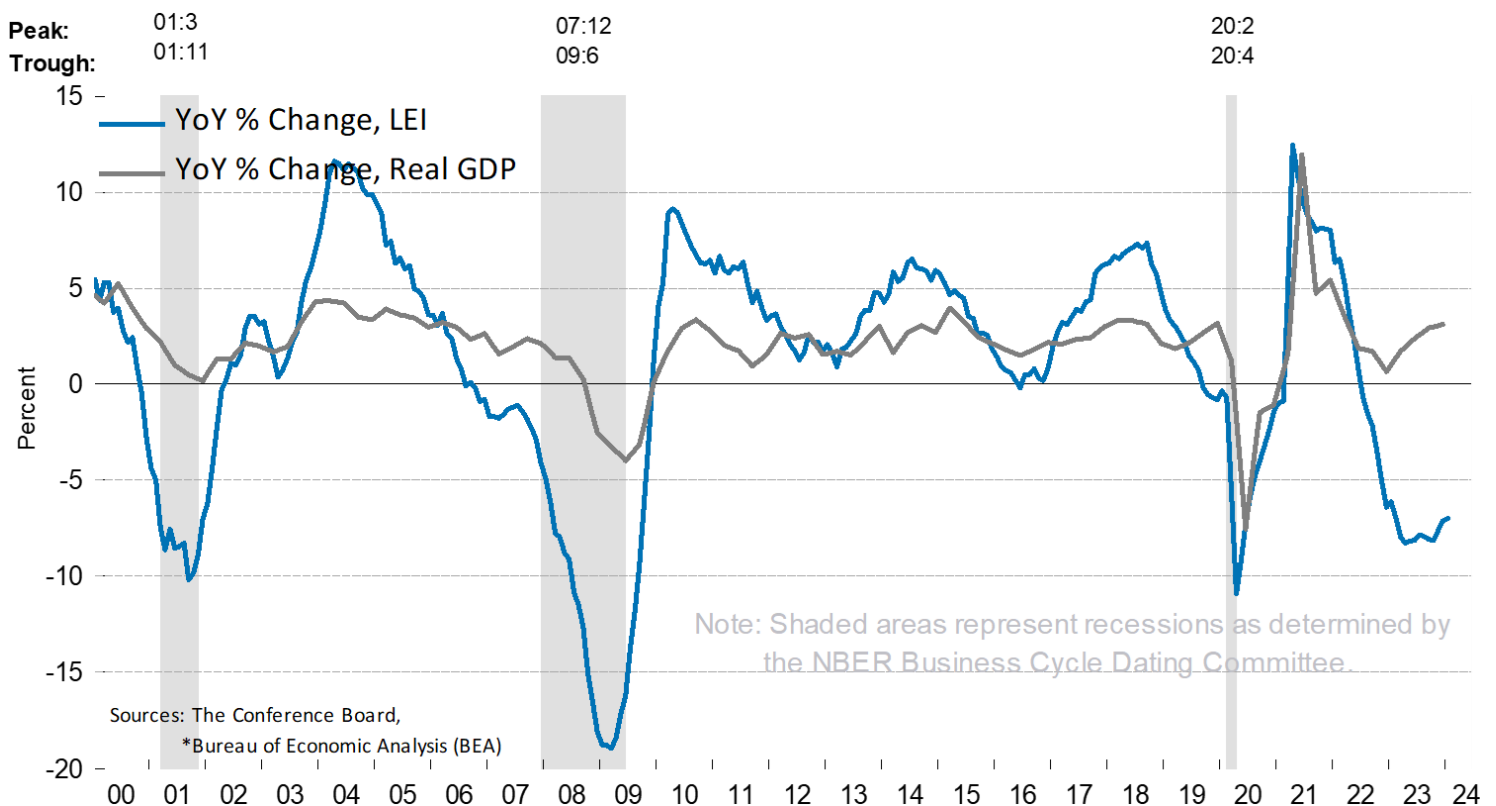
By Charles Lewis Sizemore, CFA



We have some good news and some bad news.

Let's get the bad news out of the way first. The Conference Board Leading Economic Index (LEI) – a popular tool for forecasting recessions – fell again in January, continuing a trend that started in December of 2021. The persistent weakness in the LEI for over two years now has led to steady drumbeat of recession calls. Historically, the LEI has been a good predictor of recessions.

Now, for the good news. The LEI has stopped getting worse. While still negative, it's less negative... and trending the right direction. It seems we might not get a recession after all... or at least not this year.



In the Conference Board's last press release, Justyna Zabinska-La Monica, Senior Manager, had this to say:

*"The U.S. LEI fell further in January, as weekly hours worked in manufacturing continued to decline and the yield spread remained negative. While the declining LEI continues to signal headwinds to economic activity, for the first time in the past two years, six out of its ten components were positive contributors over the past six-month period (ending in January 2024). **As a result, the leading index currently does not signal recession ahead.** {Emphasis mine.} While no longer forecasting a recession in 2024, we do expect real GDP growth to slow to near zero percent over Q2 and Q3."*

Growth slowing to near zero in the second and third quarters isn't great news. But slow growth is still a lot better than a recession.

It's interesting that the LEI failed to accurately predict a recession this time around. But it's also not the only once-reliable indicator that has, at least thus far, gotten the post-pandemic economy wrong. For example, the inverted yield curve – the situation where short-term rates are higher than long-term rates – was once considered to be a foolproof recession indicator. Yet the yield curve has been deeply inverted for two years... and we have yet to see a recession materialize.

What changed?

It's hard to say. It could be that the pandemic and its aftermath skewed the numbers to the point that they lost a lot of their meaning. It could be that, since the economy now depends so heavily on services and information, that old indicators like manufacturing orders just don't have the same potency they used to. Or it could simply be randomness. We can never rule out that possibility.

Regardless, we can breathe easy that, at least for the moment, the risk of recession seems to be waning.

What does this mean for our income positions?

I'm cautiously optimistic for now. Bond yields may not come down as quickly as I might like given the economy's stubborn strength. But our picks also benefit from a generally benign economic environment. Avoiding a recession, if even for a few quarters, should be a net positive for us.

Obviously, we can't get complacent, and I will continue to monitor our stop losses. Because while the market looks healthy today, we know that can turn on a dime.

We also have to remember that this is an election year and one that promises to be even nuttier than the last one.

I have nothing else to report today.

Until next week, 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
Global Medical REIT	GMRE	12/29/2023	\$11.39	\$9.37	\$8.92	8.96%	\$ -	-17.73%	Yes	Buy
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$24.68	\$18.10	4.61%	\$ 0.28	5.79%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$36.30	\$26.98	6.17%	\$ 0.56	5.86%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$13.92	\$8.34	3.49%	\$ -	30.22%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$33.63	\$20.15	10.44%	\$ 0.76	19.44%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$51.30	\$41.42	6.80%	\$ 5.23	21.60%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$55.73	\$36.00	3.66%	\$ 3.10	24.26%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$73.49	\$47.91	5.20%	\$ 6.63	22.31%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$14.82	\$8.59	8.37%	\$ 2.11	107.43%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$42.77	\$33.92	7.72%	\$ 6.78	3.69%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$155.81	\$132.62	3.88%	\$ 13.06	63.42%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$37.41	\$20.49	6.95%	\$ 5.05	93.53%	Yes	Buy

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Kellanova	K	1/30/2024	\$ 54.79	\$ 57.39	None	3.90%	\$ -	4.74%	Yes
Walmart	WMT	11/15/2023	\$ 168.88	\$ 175.19	None	1.30%	\$ 0.57	4.08%	Yes
Waste Management	WM	11/15/2023	\$ 172.02	\$ 207.72	None	1.35%	\$ 0.70	21.16%	Yes
National Retail Properties	NNN	9/29/2022	\$ 39.07	\$ 41.17	None	5.34%	\$ 2.78	12.48%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 28.24	None	4.67%	\$ 2.02	-6.81%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 153.07	None	3.08%	\$ 7.12	21.10%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 42.25	None	3.50%	\$ 2.22	-5.46%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 23.01	None	3.83%	\$ 1.35	-2.44%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 65.10	None	3.32%	\$ 3.34	0.79%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 124.47	None	3.28%	\$ 6.20	5.52%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 150.59	None	2.87%	\$ 6.52	11.36%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 61.20	None	2.88%	\$ 3.60	-1.17%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 133.32	None	2.37%	\$ 6.40	-4.74%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 107.85	None	5.45%	\$ 12.14	-34.04%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 91.01	None	5.58%	\$ 11.33	14.54%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 40.85	None	9.21%	\$ 13.46	46.37%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 52.75	None	5.82%	\$ 10.96	32.50%	Yes
AT&T	T	3/19/2020	\$ 23.69	\$ 16.59	None	6.69%	\$ 6.63	-2.00%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 27.63	None	7.24%	\$ 7.00	138.46%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.22	None	6.56%	\$ 4.09	90.25%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 44.09	None	4.08%	\$ 7.09	156.17%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 286.54	None	2.79%	\$ 47.15	77.87%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 34.51	None	5.36%	\$ 7.08	38.04%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 38.57	None	3.79%	\$ 5.46	102.82%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 13.06	None	4.60%	\$ 1.72	103.79%	Yes

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