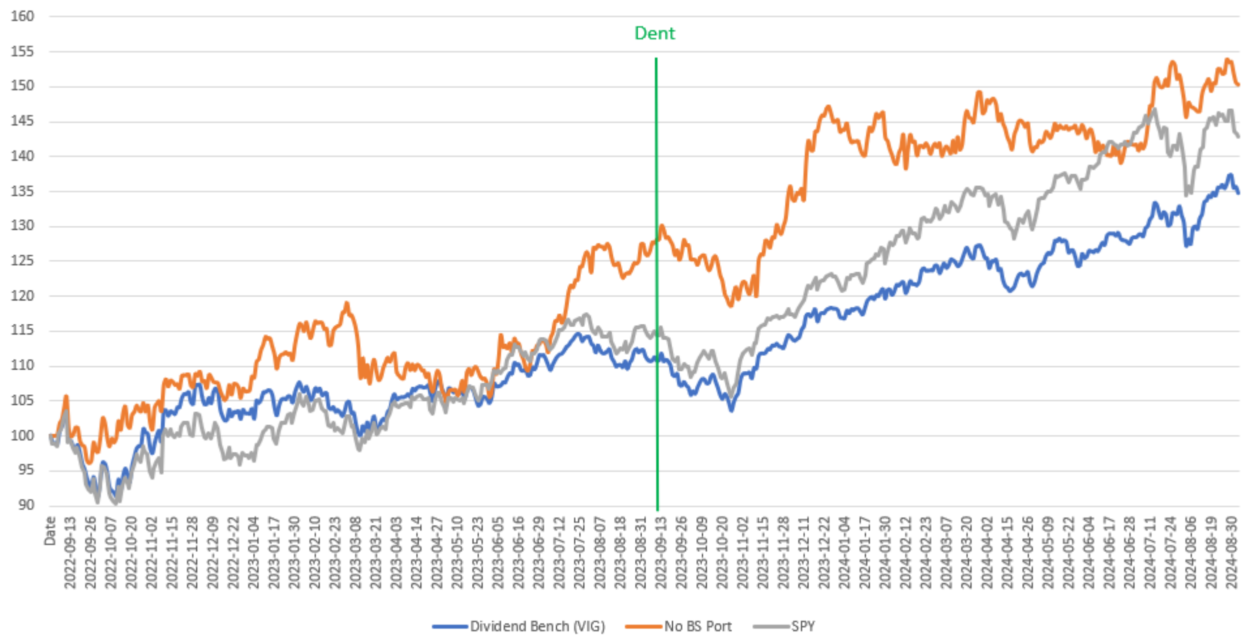
September 16, 2024

The NO BS Growth and Income Portfolio

By John Del Vecchio



Trades: One Trade This Week

Buy Valero Energy Corp. (NYSE: VLO)

Sell World Kinect Corp. (NYSE: WKC)

Current Portfolio September 16, 2024

Ticker	Name	Return	Days Held	Sector
CBKM	Consumers Bancorp, Inc.	2.65%	116	Finance
CGECF	Cogeco, Inc.	2.90%	39	Telecommunications
EFIN	Eastern Michigan Financial Corp.	5.79%	49	Finance
FMC	FMC Corp.	2.12%	39	Non-Energy Materials
FUSB	First US Bancshares, Inc.	18.90%	165	Finance
HY	Hyster-Yale, Inc.	-0.70%	32	Industrials
MCEM	The Monarch Cement Co.	37.39%	368	Non-Energy Materials
RSKIA	George Risk Industries, Inc.	16.97%	130	Technology
SUN	Sunoco LP	5.34%	32	Energy
VLO	Valero Energy Corp.	0.00%	NEW	Energy

China Implosion

U.S. investors think that everything revolves around the local market.

Collectively, we are massively underweight in international markets.

U.S. stocks account for about 60% of global market capitalization despite the economy accounting for about 25% of global value. The most common approach to investing is "buy and hold the S&P 500 index fund," and as a result, investors aren't focused on other markets.

So, when a shoe drops out of the blue, not from the U.S., it will catch us by surprise.

There's an old saying that when the U.S. economy sneezes, the rest of the world catches a cold.

China is the second-biggest economy in the world in terms of nominal GDP. Several trends point to its economy being under stress.

If China sneezes, it's gonna filter through to the U.S. It's unavoidable. As a result, we should be concerned.

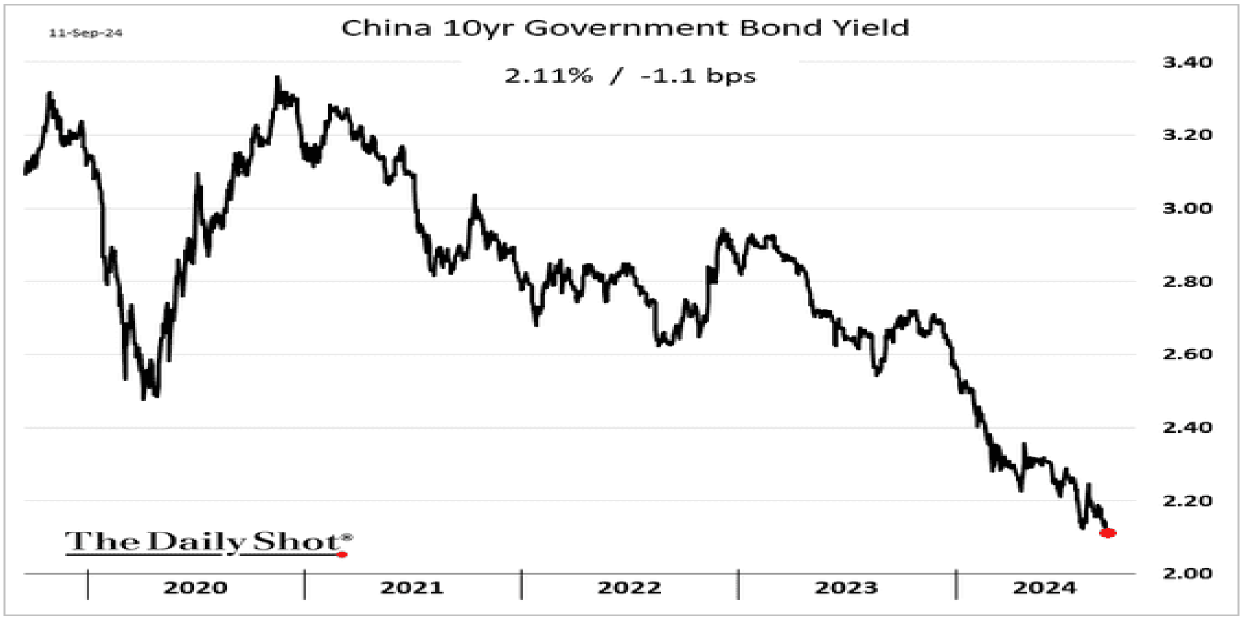
And prepared.

My retirement accounts and the *Risk-O-Meter* have been cautious in recent weeks after being bullish for a long time.

While my strategies do not analyze Chinese markets directly, many indirect factors go into my models, which show changes in trends *before* stocks tend to react.

The first warning sign that trouble is in China is the imploding yield on its 10-year government bond.

Take a look at this chart below.



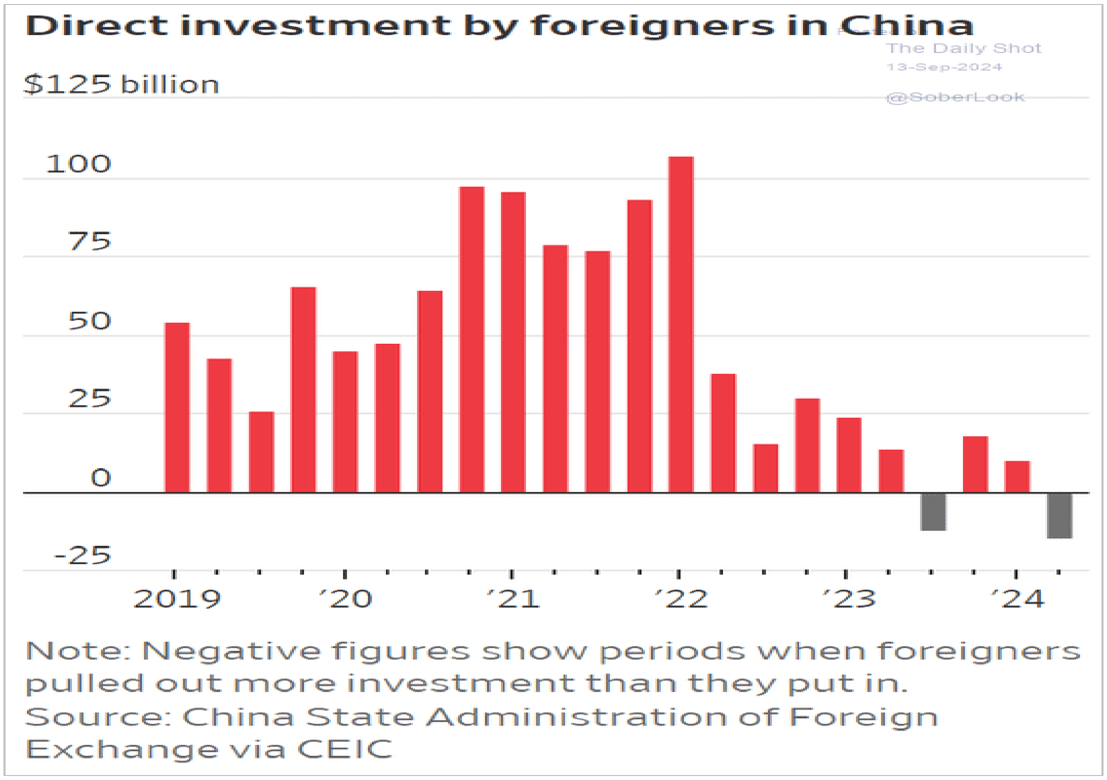
Over the past four years, yields have been persistently down. This freefall indicates that deflation may be taking hold in China.

Corporate spreads have widened, indicating stress in the system. The surge and reversal in spreads have happened in just the past couple of months.

Meanwhile, foreigners are yanking their investments in China.

Investment outflows are a *big* problem.

As the chart below illustrates, after years of persistent investment, the last four quarters of foreign investment were relatively flat. The September number will be of particular interest because if it's negative, it could start a new trend.



Lastly, commodity prices are softening.

Look at rebar prices on the next page.

China has been in expansion mode for decades. Cities get built seemingly overnight.

But does anyone live in those cities?

Is it all smoke and mirrors?

I'm skeptical because China's economy is opaque.

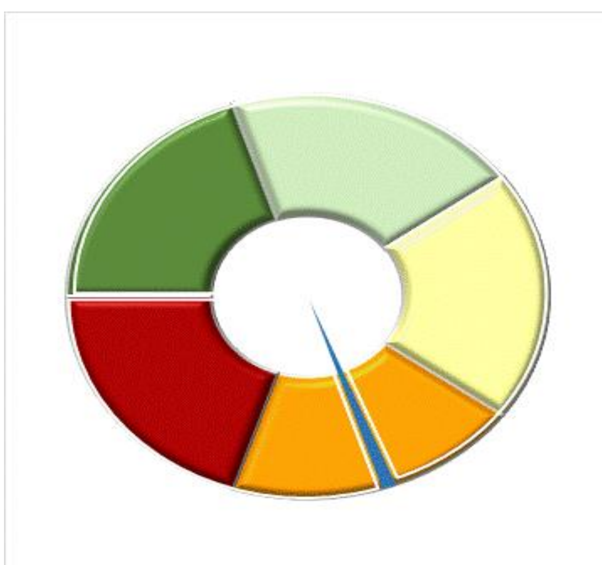
China has reduced the number of economic indicators it reports by a substantial amount. The government has cracked down on Chinese firms providing more useful data. Less transparency about anything is always a red flag.

One guy runs the entire show.

As a result, we are now firmly planted at the riskier end of the risk spectrum and need to avoid complacency.


09-Sep-24 04:37
SHFE Steel Rebar Futures Jan25
3,032.00 / -1.14%
4,000.00
3,800.00
3,600.00
3,400.00
3,200.00
3,000.00
2,800.00
The Daily Shot®
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
2024

.



DISCLAIMER:

THIS COMMUNICATION IS FOR EDUCATIONAL AND INFORMATION PURPOSES AND DOES NOT CONSTITUTE INVESTMENT ADVICE. *Any Publishing Service offered by HSD Publishing is for educational and informational purposes only and* ***should NOT be construed as a securities-related offer of solicitation or be relied upon as personalized investment advice.*** *HSD Publishing strongly recommends that you consult a licensed or registered professional before making any investment decision.*

THE RESULTS PRESENTED ARE NOT TYPICAL OR VERIFIED. *HSD Publishing has not verified information regarding the historical trading performance presented. Subscribers' trading results have* ***NOT been tracked or verified,*** *past performance is not necessarily indicative of future results,* ***and the results presented in this communication are NOT TYPICAL.*** *Actual results will vary widely given various factors, such as experience, skill, risk mitigation practices, market dynamics, and the amount of capital deployed. Investing in securities is speculative and carries a high risk; you may lose some, all, or possibly more than your original investment.*

HS DENT IS NOT AN INVESTMENT ADVISOR NOR A REGISTERED BROKER. *Neither HSD Publishing nor its owners or employees is registered as a securities broker-dealer, broker, investment advisor (IA), or I.A. representative with the U.S. Securities and Exchange Commission, state securities or regulatory authority, or self-regulatory organization.*

WE MAY HOLD THE SECURITIES DISCUSSED. *HSD Publishing has not been paid directly or indirectly by the issuer of any security mentioned in the Services. However, HS Dent, its owners, and its employees may purchase, sell, or hold long or short positions in securities of the companies mentioned in this and future communications.*

John Del Vecchio is not an employee or partner of HSD Publishing. HSD Publishing serves solely as the marketing arm for John Del Vecchio and Unbounded Wealth: Max Profits*.*