AAPL 119.90 ▲ | TDOC 186.10 ▲ | F 12.10 ▼ | PFE 34.26 ▲ | TSLA 588.67 ▼ | GILD 64.26 ▼ | AFRM 78.74 ▲ | CRWD 180.25 ▲

One Bar Ahead™

MARCH 2021

BY KEITH FITZ-GERALD

THE "SPRING CLEANING" ISSUE

The Coolest **BioPharma** I've seen in a long time

I finally bought **BITCOIN**... Here's **WHY** and **HOW**

What Smart money knows about this stock
...and others don't

RETHINK INFLATION
or get left in the dust
Exclusive interview with Dr. Mark Mobius

5 EASY WAYS to "CLEAN" YOUR PORTFOLIO!

Disclaimers

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Keith Fitz-Gerald's ONE BAR AHEAD™

Letter from Keith

Dear Reader,

There's no worse feeling than watching companies you know you should have bought get away from you and watching companies you know you should have sold hold you and your money back.

It's much the same when you hear stories about people who suddenly hit it big *a la* GameStop. Or, how seemingly everybody else but you is making gobs of money when it comes to a stock like Tesla. Even Bitcoin.

The fear of missing out is palpable, especially when the bears take over like they did right as we were putting the finishing touches on this month's issue.

Many investors have one of two reactions: we think about getting "even" by finding some unknown stock that'll make us a bazillion dollars or we vow not to make the same mistakes again. Yet, predictably, that's often exactly we do.

Clutter is a huge part of the problem.

It doesn't matter whether you're talking about your closet or the stocks you own, too much "stuff" can prevent you from thinking clearly. Worse, clutter can also stop you from making mid-course adjustments that line up huge profit potential, minimize risk and, yes, even help find your next big winner!

Experts say clutter can be a reflection of deeply held beliefs and nostalgia, but I'll take it a step further. I believe clutter is a reminder of the way we used to live or, when it comes to our money, the way we used to invest. That's why many investors wind up collecting stocks instead of making highly focused investments.

I know because I've been there, too. I recall losing track of a small tech company I'd purchased on a whim in the early 1980s because I became enamored another major player positioned for takeoff. By the time I "found" it in the back of my closet … err, portfolio … I was down 75% and a few thousand bucks which was all the money in the world to me at the time.

"Spring cleaning" can help.

The key is simply to ask yourself which companies you'll regret not owning 5 years from now or a decade on. No hocus pocus, no fancy analysis … just one simple question based on an honest look in the proverbial closet.

Remember Sears? Hopes were high back in 2010 that CEO "Fast Eddie" Lampert's plans to sell off high-priced real estate, close stores and lease space would be just the ticket needed to turn the once iconic retailer around.

I saw the stock differently, as financial clutter. Like the bell-bottoms I once wore, Sears was trapped in the past based on a failing retail model, dying malls, and management who couldn't understand their own demise. I urged my audience at the World MoneyShow in Orlando, Florida that year to avoid the stock entirely or short it if they had the discipline (and guts) needed to pull that off.

Apple, on the other hand, was really on the cusp of doing great things that year. The company was constantly reinventing itself. In fact, I viewed the iPhone, which had debuted just three years earlier as a building block for an entirely new generation of gadgetry that now includes wearables, the company's medical pivot and AI.

Importantly, I knew instinctively that Apple would be one of those few companies I would regret not owning a decade on. There was simply too much upside at stake, and I told my audience as much.

Long story short, you know how the story's played out.

Sears stock has dropped a staggering -99.6% from $85 a share to just $0.34 today. Apple, on the other hand, has created more than a few millionaires with a total return of 992.10% from roughly $11 a share back then (using historical prices adjusted for splits and dividends) to $120.13 where it closed Thursday.

Speaking of which, I suggest starting our time together this month with a Foundation Stone stock that's on the cusp of an Apple-like move over the next ten years. The smart money knows something most investors don't and that's creating a really unique opportunity the markets don't yet recognize but will when the bears have had enough fun.

Then, shift gears and check out one of the coolest biopharma investments I've seen in years. Most investors dream of hitting it big with a single medical breakthrough, but my research suggests this company may have several dozen or more in the pipeline. Talk about a Zinger! I think it's a great opportunity to get ahead of the big money.

There's also an exclusive interview you will not want to miss. My guest this month is one of the world's leading investors and what he has to say about investing to beat inflation is absolutely critical. And, frankly, inspiring!

And, finally, I've got a blow-by-blow account of why I finally bought Bitcoin and how I actually did.

Old dogs, it seems, actually can learn new tricks.

Best regards for health and wealth,

Keith

P.S.

Please be sure to email me if you have ideas, suggestions, comments or any advice on what you'd like to see me cover in upcoming issues. I love getting feedback which is why my team and I read every message we get.

The address is magazine@onebarahead.com.

5 EASY WAYS TO “SPRING CLEAN” YOUR PORTFOLIO

(and why you’ll want to)

Spring cleaning your portfolio

Too much diversification can hold you back

Diversification has long been regarded as an investing essential, but for many people owning too many stocks is actually what's holding 'em back!

You only need a small fraction of your current portfolio to maximize profitability and to eliminate significant investment risk at the same time. Just 15-20 stocks will do it.

If you're anything like me, chances are good that your eyebrows just shot up. Mine did too the first time I heard that. Moreover, you're not alone if you feel like you've just been gut-punched or lied to for almost your entire investing lifetime.

Wall Street will never tell you what I'm telling you today because it's not in their interest to do so. They know what I'm sharing with you to be true but hide that information or at least fail to reveal it because nearly their entire existence is predicated on the flawed notion that continually adding stuff to your portfolio decreases risk.

Damn near every retirement planner, every allocation decision maker and online financial model you'll find today relies on the concept of diversification. People accept it as gospel but, arguably, that's a critical mistake.

Diversification is based on groundbreaking work by a brilliant man named Harry Markowitz and published in the Journal of Finance … in 1952 … 69 years ago under radically different and far more primitive market conditions than we have today.

Here's where this gets really troubling and, admittedly, a bit technical. So, hang in there. I will do my best to keep it simple.

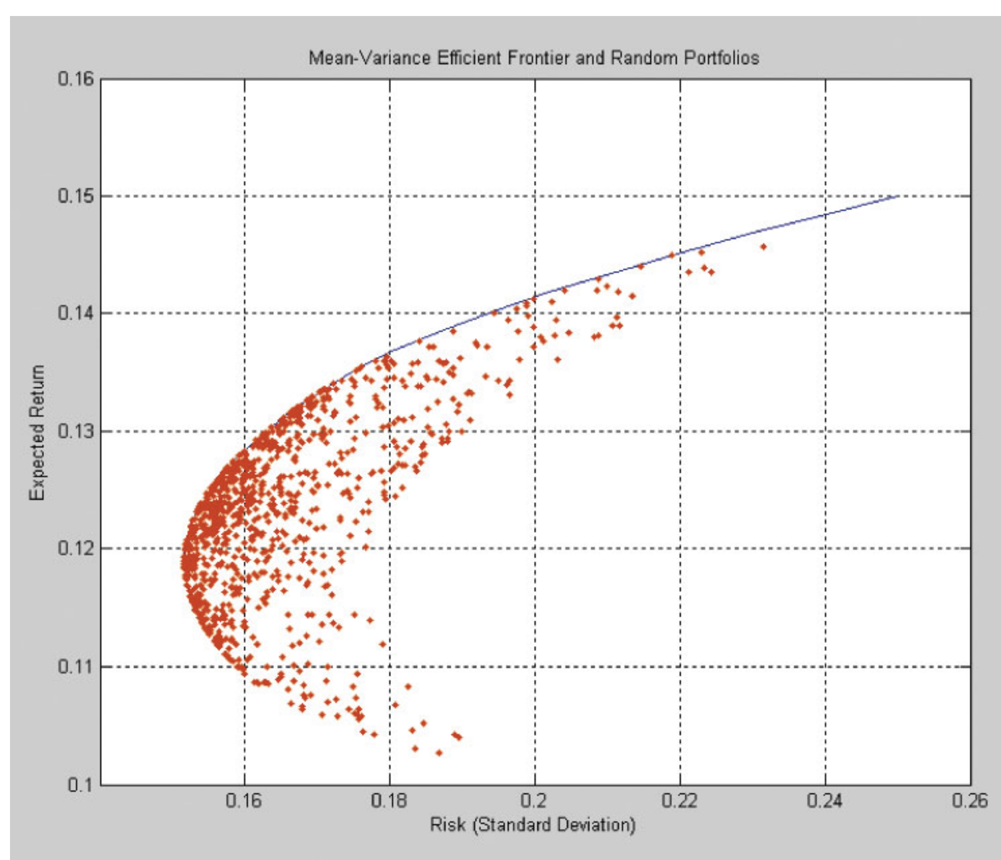
The problem with the "curve"

Diversification presumes that you plot every possible combination of assets on an XY graph showing risk and return. The results form what's called an "efficient frontier" which theoretically represents the optimal combination of risk and reward.

Portfolios "above the curve" are deemed efficient because they maximize return for any given level of risk while portfolios "below the curve" are deemed inefficient because they do not maximize returns for any given level of risk. So far so good.

The thinking is not all assets go up or down at the same time so, logically, adding more stuff to the portfolio over time reduces risk because it keeps you and your money as close to the efficient frontier as possible.

Rebalancing, in fact, is an offshoot intended to move you "back" to the curve whenever you've got excessive profits or losses that have moved your asset allocation away from the optimal curve.



What the traditional efficient frontier looks like

Spring cleaning your portfolio

The problem is the diversification model *et al* is predicated on the assumption that your goal is maximizing returns for a given level of risk. Not protecting against losses and not maximising profits.

This is why so many investors are missing out on big home runs like Tesla or Apple or a dozen other companies that soared out of the basement in 2009 and again more recently out of the Covid-19 induced crash last year.

Today's markets are highly computerized which means that hundreds of billions of dollars' worth of every conceivable asset class – stocks, bonds, REITs, gold, you name it – move at the same time. That's why there is no place to hide when the selling accelerates.

Diversification, with very few exceptions in today's markets, is a myth.

That's why I recommend truly uncorrelated choices like the specialized inverse funds we use to hedge the OBA 50 ... because they are designed to move in exactly the opposite direction as the indices they track.

An investor with a few mutual funds may own 200, 500 or even 1,000 stocks. They cannot beat the markets because they are the market. Effectively, they're overdiversified.

Benjamin Graham who is widely regarded as the dean of value investing advocated owning 10-30 stocks in his 1949 treatise, *The Intelligent Investor*. Not the 100, 500, or 1,000+ that come from owning a few mutual funds or ETFs.

A classic study by John L. Evans and Stephen H. Archer in 1968 called *Diversification and the Reduction of Dispersion* showed that 15 randomly chosen stocks has no more risk than the broader stock market as a whole.

A 1977 article by Edwin J. Elton and Martin J. Gruber in the *Journal of Business* shows that there is almost no benefit at all beyond the 20th stock you own. In fact, every stock added from 20 to 1,000 provided just another 2.5% reduction in volatility.

Even Warren Buffett agrees. He's on record as saying that "wide diversification is only required when investors do not understand what they are doing." That's why he makes very focused investments every chance he gets rather than spreading his money around willy-nilly.

Adapted from Investopedia, The Institute of Business & Finance, Systematic and Unsystematic Risk

Introducing timing can give you an even more pronounced advantage. I know that's another myth... that you can't time the markets ... but my research shows very clearly that you can. And, arguably, you should.

In fact, some of my most powerful research shows that a portfolio of 15 stocks selected using the OBA criteria and entered using the Master Market Indicator ("MMI") you're familiar with in your Weekly Updates can result in as much as 756% better performance over time.

Concentration is the way to go. That's why I recommend a little "spring cleaning" your portfolio annually.

Here's a simple five-part way to get "down" to just the 15-20 stocks that can really make a difference.

Spring cleaning your portfolio

Cleaning your portfolio

In addition to the following specifics, I recommend taking steps to de-stress your approach and get rid of the emotional baggage that can prevent you from achieving the results you want and the profits you deserve. Getting emotion out of the equation can make all the difference in the world.

1 – Buy the best, avoid the rest

The biggest secret to investing is buying companies that can perform at scale. I want every company I own to be capable of billion-dollar performance or I don't want to own it. Take a hard look at your own portfolio and “throw out” any stock that doesn’t meet this criterion immediately or set a trailing stop that will let the markets make that decision for you.

Investors who bought an S&P 500 Index fund (and many did) in July 2010 and held it through December 2020 enjoyed returns of 319.248% which is enough to turn every $1,000 invested into $4,192.48 according to DQYDJ. But investors who went with Tesla just two days earlier and who held through the end of December 2020 enjoyed returns of 16,870.50% and the mouth-watering prospect of turning every $1,000 invested into $169,705.02.

I believe there are 10-15 “Teslas” out there right now and it’s our job – yours and mine – to find ‘em. Then, to get on board as early on in the game as possible.

2 – Do not covet your neighbor’s stock

It’s one thing to dream about owning great companies but entirely another to own a company that’s great for somebody else. I see thousands of investors a year in my presentations writing down every stock ticker they hear and I know right away that they’re collecting stocks. On the other hand, I see members of the OBA family asking which ones fit with the 5 D’s, are UII and make sense for them.

Always sit in an exit row!

Stick with your goals, risk tolerance and objectives because they’re the *only* criteria that matter.

3 – Use your money wisely

You don’t get a free pass to do stupid stuff just because you can use the Internet or your Smartphone and a gamified stock trading app that shall remain nameless. Quality, above all else, matters.

4 – Go with what you know, use, and can explain

This is very simple. If you can’t explain in plain English using simple sentences why you own a specific stock and what you hope to achieve by owning it, don’t buy it. Moreover, if the reasons you bought a stock originally don’t exist any longer, sell it.

5 – Always sit in an exit row

Too many investors get clobbered because they hold on too long. That’s why One Bar Ahead™ **Power Trading Techniques** like **Trailing Stops**, **LowBall Orders** and **Selling Cash-Secured Puts** are always a great idea. They can help you protect your principal and your profits during good markets while also serving as absolute life-savers when the going gets tough.

Spring cleaning your portfolio

Final thoughts

Here's a final – and important – thought to consider.

The temptation to run for the hills is very real when the markets get rough like they have the past few days. I understand – I feel the angst, too.

Whatever you do, though, resist the urge to run.

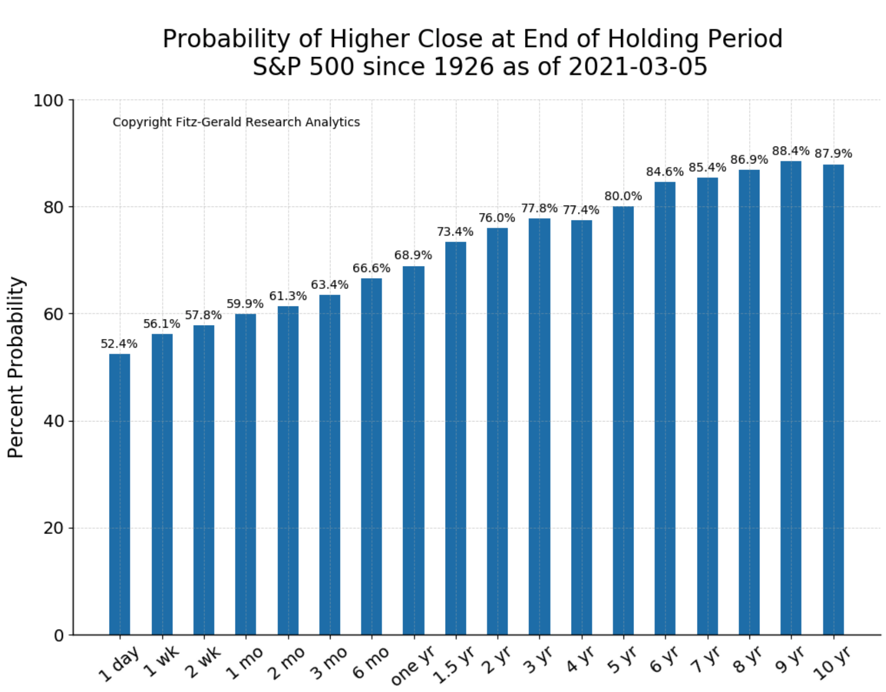
Studies show that investors who stay in the game tend to capture the biggest returns over time, especially if they've got concentrated portfolios that maximize profit potential.

The selling is being driven by deleveraging and is highly technical. It has nothing to do with the business case for owning the underlying stocks we want to own whatsoever. So, by implication, if you know what you're buying, why and how those stocks keep you focused, that's where you want to be.

Baron Rothchild, an 18th century noble and a member of the legendary Rothchild banking family famously quipped that "the time to buy is when there is blood in the streets" to which I've appended, "even if it's your own."

I will be with you every step of the way!

-KF



"Tomorrow's profits go to those who dare today (and who use proper risk control techniques to keep their investments clearly focused, decluttered and on track)"

- Keith Fitz-Gerald, 2021

Chapter 2

RETHINK INFLATION OR GET LEFT BEHIND

An exclusive interview with
Dr. Mark Mobius

Rethinking Inflation with Dr. Mark Mobius

DUBAI – What if everything you thought you knew about inflation is no longer true?

That's the question posed by one of the world's leading investors, Dr. Mark Mobius, in his new book, *The Inflation Myth*.

Dr. Mobius's premise is staggeringly simple and savvy investors would be wise to pay attention, especially now with the markets on the edge of a serious selling spree induced by inflationary fears associated with rising rates.

Dr. Mobius has spent 40+ years in global markets and is an expert when it comes to spotting investing trends years before other recognize they're happening or begin to understand the implications.

He's best known for putting the "frontier" in frontier markets as the Executive Chairman of Templeton Emerging Markets Group where he directed a research team in 18 global markets and oversaw more than $50 billion dollars. Today, Dr. Mobius is Principal of Mobius Capital Markets which he established after retiring from Templeton in 2018.

Dr. Mobius has played a critical role in my career, especially when it comes to thinking about today's economic challenges and tomorrow's opportunities.

Inflation is obviously a big one at the moment … which is why I thought you'd appreciate hearing from him directly!

KF (Q): Thank you for your time, Dr. Mobius. You're known for finding great investments but what prompted you to write this book and to rethink inflation specifically right now?

Dr. Mobius: Thinking about inflation as the world has in the past is outdated. Especially at a time like now when the world's central bankers are printing so much money. Inflationary fears are very real given the increasingly popular notion that deficits don't matter.

Dr. Mark Mobius is the founder of Mobius Capital Partners LLP and has spent over 40 years working in and travelling throughout emerging and frontier markets. During this time he has been in charge of actively managed funds totalling over $50 billion in assets.

What the world needs to recognize – including investors and central banks alike – is that all currencies devalue. They call it inflation but, in essence, it's really devaluation. And the only way around that is to invest in companies that will adjust their prices to the devaluing currencies.

What we think we know about inflation today simply doesn't reflect reality.

KF (Q): I've long believed that government inflation statistics are more cooked than a Christmas goose and that the calculations used are seriously flawed, an opinion I know you share. But, you've got a twist in your book that I hadn't thought about before … the nature of products being measured is constantly changing. Can you elaborate?

continued. →

Rethinking inflation with Dr. Mark Mobius

Dr. Mobius: Exactly! That's the reason why the inflation numbers are completely erroneous and not a good guide for policy. They don't reflect reality yet unfortunately governments keep on relying on the unreliable inflation statistics as a target.

Inflation itself is somewhat of a socialist idea because it treats everybody to be the same. That's not accurate with regard to policy and it's not accurate with countries and it's not accurate with investments.

Your "market basket" – meaning what you're buying - is much different than my basket; everybody's basket is different. So, you really can't treat everybody in the same way and that's what they do using the inflation statistics.

I think much of today's thinking on this started out as the result of an idea during Franklin Delano Roosevelt's time ... social security. The entire concept seems to have roots in the idea that you've got to find a way to adjust the social security benefits equally. And as I pointed out in my book, the Boskin Commission study in 1995/1996 only made matters worse.

KF (Q): The Boskin Commission, if I recall correctly, was set up to study possible bias in the CPI which, of course, is used to measure inflation.

Dr. Mobius: Correct. The Boskin Commission's final report concluded that CPI overstated inflation by 1.3 percentage points a year prior to 1996 when it was finished. But the real take away is that the report also calculated that overstating inflation would cost the government to spend too much money.

KF (Q): Let me make sure I have this correct. What you're really saying between the lines is that the government has every incentive to keep payments lower by de-stating inflation or, minimizing it. That was one of the primary findings if my memory is correct.

Dr. Mobius: Yes. Effectively, they [the government] said we're going to be paying out too much. So, we've got to adjust this downwards. That's why the government constantly emphasizes so-called core inflation as being as low as it is.

KF (Q): There are obviously profound implications. I frequently joke with my research clients that my breakfast costs 60% more this year than it did five years ago and that usually gets a good chuckle along with a lot of head nodding during my presentations. My point is that everybody knows inflation is much higher than reported based on what they feel in their wallets. Which means, by implication, the economy could be a lot smaller than everybody thinks.

Dr. Mobius: Exactly. My feeling is we cannot rely on these things and on inflation as it is presently understood. Cost of living increases, pension funds, all sort of compensation, rents and more are all tied to the CPI so there's a grand incentive to keep it low.

KF (Q): Talk if you would for a moment, Dr. Mobius, about the nature of the products inflation measures. That was a real "ah-ha" moment for me as I read along and I think will be for the OBA Family, too.

Dr. Mobius: You make the point in your research, Keith, that the value of what's included in inflation calculations is constantly changing. That's an important idea because a large percentage of goods the government measures as part of the CPI didn't exist even as recently as 5 years ago. Certainly, a decade ago. Yet, the central bankers want us to believe that the inflationary chain is valid? It makes no sense.

Rethinking inflation with Dr. Mark Mobius

KF (Q): Can you please give an example that would really drive your point home?

Dr. Mobius: Certainly. It comes down to something called “hedonics” which is a fancy way of trying to measure product quality changes. Imagine a computer, for instance. If a computer’s price increased by 10% and the computer was exactly the same as the computer before it, then you’d have actual inflation of 10% and reporting that information as part of an ongoing statistical data set would make sense.

However, that never happens. Speed and power increase every year which means that price increases are not inflationary because the actual product has changed with jumps in speed, computational power etc. Comparisons simply are not possible in that instance because products are actually getting cheaper due to technological advances, increases in productivity and more.

KF (Q): This goes way back as a concept, doesn’t it? And I mean way back to the early 1700s as you’ve noted in your book.

Dr. Mobius: 1704, actually. That’s when Bishop William Fleetwood published something called *Chronicon Preciosum: Or An Account of English Money, the Price of Corn and Other Commodities for the Last 600 Years*. He published the work because Oxford college required members to vacate their positions if personal estate income was more than 5 British Pounds per annum.

Here’s the trick though. That requirement was written in the 1400s and the question he was trying to answer was if it was worth it for a student or teacher to take the oath in the early 1700s if he had a far more valuable estate because the value of money itself had fallen over the prior 300 years.

Modelling human behavior is increasingly and incredibly difficult. Governments around the world have a vested interest in managing inflation lower because of all the financial linkages to the calculations, benefit levels, compensation and more.

KF (Q): What do you tell an investor who’s been brought up to believe that the opposite is true and that they’re falling behind as the dollar or their home currency gets debased?

Dr. Mobius: This isn’t an impossible problem, but it does require a change in thinking for most investors who’ve been taught for decades that inflation is the bogeyman. I tell them many of the same things you do.

Technology continues to outpace this currency devaluation by making things better, cheaper and more accessible. And the only way to get beyond that, to conquer that, is by investing in companies that will adjust their pricing to the devaluing currency. Over the long term, you'll do much better with companies that are able to do that and grow their currency earnings in whatever currency you're talking about.

Bonds are no good in that regard. People say, "bonds are great," and so forth. Well, yeah, maybe short-term, but long-term bonds are not the way to go. It's got to be equities in growing companies because companies adjust their earnings and their sales to the currency devaluation.

That is key.

Specifically, you must be into companies in this mode of benefiting from technology. So, what we are looking at more and more is traditional industries that are now using technology to improve their profitability, their productivity, et cetera, et cetera. That is really the key.

Rethinking inflation with Dr. Mark Mobius

KF(Q): What advice would you give Jerome Powell (Chairman of the Federal Reserve) and Christine Lagarde (President of the European Central Bank)?

Dr. Mobius: First thing I would say, throw out the existing numbers. That's number one. Number two, forget about this 2% business. And number three, try to target deflation.

In other words, try to create an environment where things are getting cheaper, not more expensive. Instead of pumping money into the economy by just paying people, make things easier for companies to become more profitable and more productive.

So, what does that mean? It means cutting taxes. We all know, and I think Christine Lagarde and all those people must know, that spending by government is the most inefficient way of spending because it doesn't create growth on anything other than a very short-term basis.

KF(Q): What questions should policy makers be asking instead?

Dr. Mobius: What the governments have to do is ask, "okay, we will target companies that are going to produce things more efficiently," and that's the way the money should go. And also, I think one of the biggest mistakes ... they say, "Oh, things are getting more unequal. The disparity of incomes is getting greater."

Of course, it's getting greater because you're killing small enterprise with the lockdown and restrictive policy that prevent the deflation I'm talking about.. Of course, they're going to be poorer going forward.

So, this is the kind of thing that leaders have got to realize, that if they really want to help people, they got to make it easy for people to become more productive and also to work rather than just handing out money.

KF(Q): I couldn't agree more strongly. I get a lot of questions on strong or weak dollar policy, about Bitcoin, gold and more. How does your view on inflation, or more precisely deflation, shape that? Where does that argument go to your way of thinking?

Dr. Mobius: That's a really very good question because you've got a whole generation of young people saying, "Look, these currencies, the dollar and all these other currencies, are figments of your imagination. They are faith-based instruments, and they can be printed out of sight. But Bitcoin is limited in the amount that can be printed."

So, effectively, they're saying that Bitcoin is a real currency because it can't be printed out of existence. And that's a very interesting concept because what they're really questioning is how we want to move into a currency that really is limited in its issuance, cannot be produced by governments and can be transferred freely from one person to another. It's quite a revolutionary concept. And it has tremendous implications for deflation, I believe, going forward.

KF(Q): That begs the question, especially with regard to China which, I think, wants to make the yuan the world's reserve currency within the next 20 years or so. My take is that China wants to create a partially asset-backed security and I see them moving their digital currency into the yuan, not the other way around. I don't see them moving yuan into digital, as is happening in the United States where everybody's going from dollars to Bitcoin.

What I see in China is them bringing this into the yuan because that's what they want to be the global reserve currency eventually. That's why Jack Ma and Ant Financial really got squashed; because he wasn't playing ball with that program.

Rethinking inflation with Dr. Mark Mobius

Dr. Mark Mobius: Yeah. I think that's a very, very insightful comment. I think that's exactly they're doing. And I think the reason why they're doing it, is to get one leg up on the dollar and that by doing so they will make the yuan more easily tradable and transferred around the world.

Right now, a lot of people are angry at the US for all of the restrictions that you have in... know your customer, blah, blah, blah. People are fed up with this. The US controlling everybody to the dollar and the fact that all these transfers have to go through New York, et cetera, or through SWIFT.

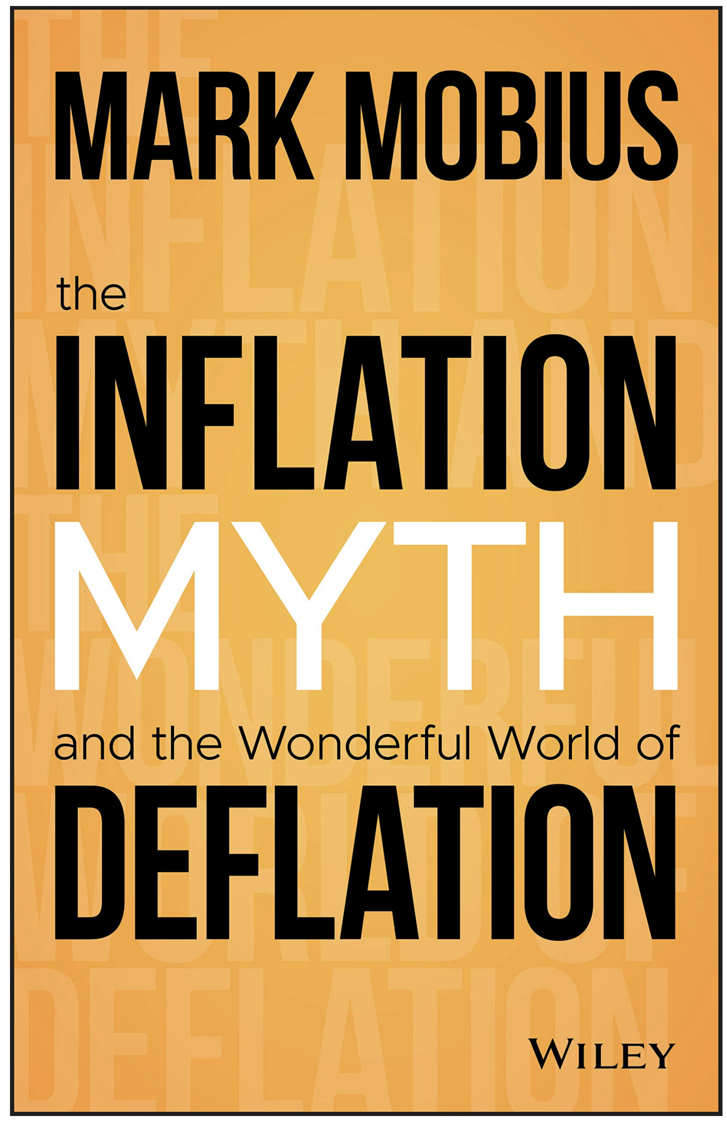
So I think the Chinese are going to say, "Look, we're going to open up our currency for everybody and you can do whatever you want with it. We're not going to go after you if you're money laundering or whatever, as long as you follow the rules that we've set up for this currency." I think it's going to be a very interesting development.

KF(Q): This will sound scary to a lot of folks but that's not the message.

Dr. Mobius: Correct. In fact, my conclusion of the book is rather optimistic. I mean, I feel that things are really getting much better and we're living in the greatest period of mankind's history. That's the reality!

KF: Thank you, Dr. Mobius. As always, I've learned a lot from our discussion and really appreciate your time!

Dr. Mobius: You're welcome.



Note:

I encourage you to read all of Dr. Mobius's books – I actually have every one of 'em in my library – but especially his newest, *The Inflation Myth*.

I also encourage you to check out the emerging and frontier market funds his firm offers. The Mobius Emerging Markets Fund is an open-ended offering registered in Luxembourg while the Mobius Investment Trust is a closed-end fund listed on the London Stock Exchange. Both are actively managed with no required holding period and both are intended for holding periods of at least five years, preferably longer.

Please note that access may vary by broker and where you live!

THE 'SMART MONEY' KNOWS SOMETHING OTHERS DON'T

The “smart money” is buying

Millions are making a mistake

Millions of investors are making the mistake of their lives at the moment. They’ve all but given up on the world’s legendary tech companies including the one I’m recommending as a Foundation Stone this month.

Moreover, the company I’m going to share with you is so big and so prominent, that many investors simply cannot fathom it getting bigger and even more prominent!

The so-called “smart” money, though, has an entirely different view.

“New” institutional positions are running 5.5 to 1 versus “sold out” positions according to Nasdaq.com. The number of shares purchased versus sold is even more impressive … 21.7 million shares bought new versus just 4.1 million sold out, also according to Nasdaq.com.

Case in point …

• JPMorgan Chase purchased 3 million shares an increased its holdings by 4.225%

• Morgan Stanley purchased 8.8 million shares and increased its holdings by 14.718%

• Nuveen Asset Management, LLC purchased 4.1 million shares and increased its holdings by 7.3%.

Interestingly, the Vanguard Group and Blackrock are two of the biggest owners and together account for ~14.97% of the company’s outstanding shares according to 13-F reports filed with the Securities and Exchange Commission.

Insiders are buying. There have been some 1.3 million shares acquired in 29 separate transactions versus just 546,472 shares sold in just 8 transactions over the past 6 months according to Yahoo! Finance.

I’ll be the first to admit, though … Microsoft (MSFT) is hard to get your head around.

Digitalization is the single largest trend we’re following and there are trillions of dollars up for grabs. Buying Microsoft now is as much about stability as it is about raw profit potential.

Do NOT, I repeat, do NOT be the person kicking yourself in ten years because you didn’t buy Microsoft this year. The world’s most sophisticated investors are betting on upside and that, combined with everything I’m about to share with you, is important.

I see the stock building strength for much of the rest of this month ahead of an earnings explosion in late 2021 and throughout much of 2022. Share prices, of course, will follow over time even if there’s more selling ahead immediately.

Consider the following...

Key stats

- Microsoft is the industry standard when it comes to the software that put it on the map – Windows. Contracts are “sticky” which means the licensing revenue is effectively annuitized. And, thanks to making Office a “software as a cloud-based service” offering, growing rapidly.
- The company’s CEO – Satya Nadella has taken a hard, aggressive view of expansion since 2014 when he assumed leadership. I’ve been very impressed by everything he does. Nadella is a calculated thinker who is keen not to repeat former CEO Steve Ballmer’s mistakes, especially when it comes to industries Microsoft can and should dominate. I cannot understate the significance of shifting from the Gates-era product-based model to Nadella-era consumption-based model.

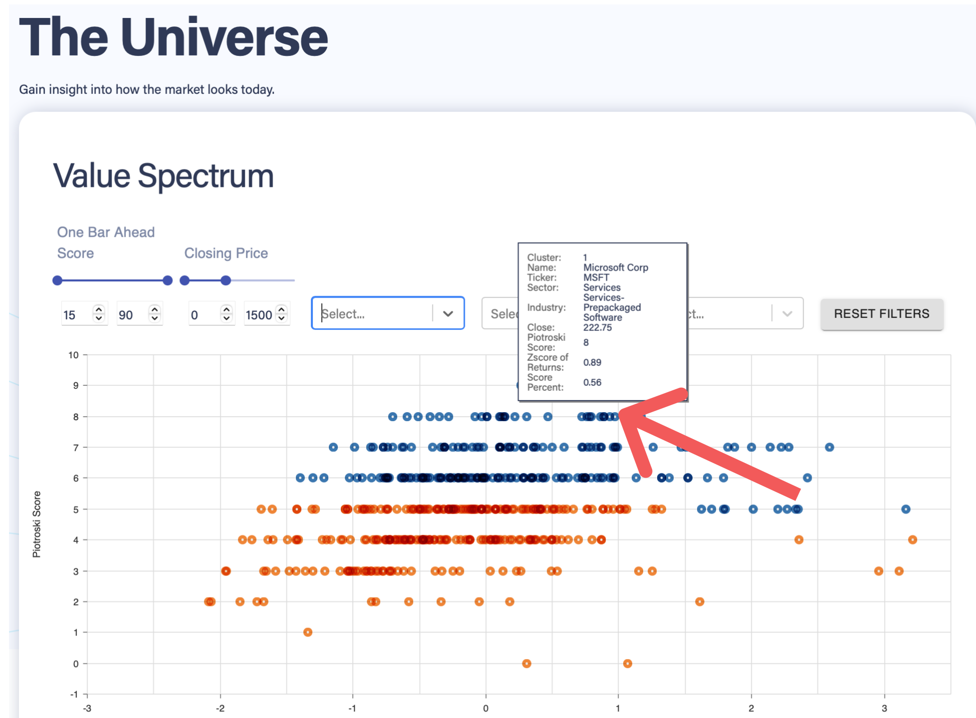
The “smart money” is buying

- Microsoft’s cloud-based business, Azure, is now second only to Amazon Web Services; I actually think there’s an outside chance Microsoft beats Amazon at its own game but that’s a topic for another time. The key (and what I’m focused on) is that Azure is growing at 50% YoY. I think Microsoft’s cloud-based business will exceed $305 billion within the 7-10 years, up from the $43.1 reported most recently. That’s a 7X increase if it happens, according to my quick back of the envelope calculations.
- Many people don’t think of the company this way but Microsoft is also a critical defense contractor, having recently aced out the competition on a $10 billion deal with the Department of Defense. And, not for nothing, SpaceX uses Azure as its cloud partner which means that Microsoft is well within Elon Musk’s orbit … pun absolutely intended because I can’t resist making it!!
- And, finally, Microsoft remains a monster buyback player, having repurchased $26.1 billion of its own stock in 2020. This is almost always great for the companies using their capital this way and even better for investors over time. Most folks who are critical of the practice really don’t understand the intricacies; I can’t get into ‘em today but we will another time because buybacks can be an important entry signal all their own.

Let’s take a look at what One Bar Ahead™, our proprietary predictive analytics suite says about Microsoft:

The Universe

Microsoft is high in the Value Spectrum (which we like), and while it’s a little farther to the right than I’d like that’s not a showstopper. Besides, there’s still plenty of room to run in that direction quantitatively speaking (which we want).



Fundamentals

The Piotroski Score plays a critical role in my research and has for years because it’s an easy, well studied, well researched means of assessing value against price using the underlying fundamentals.

Microsoft, frankly, could not be in better shape as evident by scores of 8-9 out of 9 possible points for the past 9 consecutive quarters.

The "smart money" is buying

The MMI (Master Market Indicator)

The MMI is at the lower end of the range and has already tipped higher. This is as good as it gets when it comes to identifying optimal entry points. Share prices could fall from here if overall market conditions deteriorate further but that's not the point.

What the MMI is telling you is that the price is "right", the momentum is efficient, and range suggests the stock is being accumulated despite a lack of public attention. In fact, if I know institutional trading desks like I think I know 'em, they'll use the current bout of selling to make a very decisive under the radar move that allows them (like us) pick up shares at as deep as discount as possible ahead of the next run higher.

Buying under $235 if you can do it would be a great place to start accumulating shares or add to existing holdings. Dollar cost averaging in is a super way to maximize returns over time and harness the volatility that other investors will naturally fear.

I think a LowBall Order to buy in the $220 could also work well in this situation. There's natural support just below that in the low $210-$215 range so the upside is attractive with comparatively little risk for the potential reward.

Selling cash-secured puts is a great alternative, too. Volatility is high and that means you can get a deeper discount potentially than otherwise would be available.

My analysis suggests that the 16 Apr 21 $180s could be an ultra-aggressive way to play the odds. Those are trading for $1.00 or so as I type which fits nicely with the strategy as I outlined it in the February issue. Market conditions may well change by the time you read this so some flexibility is needed.

We can always revisit the entry if needed.

Action to Take:

Buy Microsoft for $235 per share or less to start the upside journey ahead.

Shares are a little wobbly but that's not a bad thing. This kind of price action allows you to dip your toes in the water with a small initial amount of money or just a few shares then add more later using a LowBall order under $220 a share, for example.

You could also consider selling cash-secured puts in the $180-$200 range. As always, though, do this ONLY if you have the cash to buy a corresponding number of shares for each put option you sell at that price! Paper trade if you're not sure or review the February issue to practice using the strategy.

Chapter 4

THE COOLEST BIOPHARMA I'VE SEEN IN YEARS

New age biopharma - BBIO

Two dozen possible home runs in the pipeline

Many investors like biopharma investments because they can hit it big quickly if there's a single positive clinical trial. Imagine what'll happen if there's a bunch of positive clinical trials ... for a single company!!!

That's what I see happening with **BridgeBio Pharma (BBIO).**

The company has a radically different business model and it's one that I believe could help the stock double in the next 12 months if even a single clinical treatment makes the big leagues.

Thing is ... BridgeBio has more than two dozen potential home runs in the pipeline.

I haven't seen a similar model in the biopharma space before but the so-called "hub and spoke" set up is very common in the investment banking world where establishing "seed" investments can be a path to massive profits. Particularly in the pre-IPO space which is normally available only to those with a few billion dollars in pocket change and mahogany lined libraries.

Many people have a hard time putting BridgeBio into context. I get that which is why I suggest thinking about the company like you would think about BSTZ (the BlackRock Science and Technology Fund II) which we already have in the model portfolio.

Not many people know about BridgeBio at the moment, but I think that will change very quickly if the company has even half the potential my research suggests it does. It's a unique opportunity to get in ahead of the big money.

My analysis suggests the stock could double within the next 24-36 months.

Key stats

- Roughly 8% of the world's population – ~560 million people worldwide – live with some form of genetic disease including approximately 27 million Americans. That's not a large number in the scheme of things until you realize that there is no treatment available for 95% of the genetic diseases they carry.
- The business model is based on finding scientists first, then building companies. This translates into a faster path to market than comparative choices because most biopharma companies start with scientists who are often terrible business leaders.
- BBIO is very tightly focused on lethal cancers with clear relationships between genetic defects and disease. I like that because the company has a very similar mindset to the one I used to develop One Bar Ahead™ - concentration matters but diversification costs.
- Total operating expenses were $482.7 million versus $306.80 million YoY. The rise reflects increased expenses in late-stage programs and the increasing number of personnel needed to continue clinical enrollment and manufacturing validation activities.
- BBIO has 19 ongoing clinical trials and more than 30 additional programs in the pipeline. This is the last step in the drug development process and, frankly, one that usually slows a lot of companies down.

New age biopharma - BBIO

Here's what One Bar Ahead™, our proprietary predictive analytics suite, says about BridgeBio:

The Universe

BridgeBio is not part of the "universe" which is otherwise defined as the S&P 500 we'd normally screen against. It's a "Zinger" so this isn't unusual nor a problem.

As an aside, I am planning to add additional data analysis capacity to the OBA Value Spectrum, but the research needed to develop the quantitative underpinnings is significant. So that'll be towards the end of the year as we refine the calculations.

Fundamentals

The Piotroski Score, which plays a key role in my research, is just 2 of a possible 9 points. Normally, that would be a show-stopper all by itself because low scores tend to suggest companies at risk of further deterioration. In this case, things are different.

Biopharma companies are in a league all their own which is why it's very problematic to apply conventional valuation metrics to them and expect rational results. It's important to recognize that different thresholds apply.

In this case, BridgeBio's Piotroski Score is a 2 which is significantly higher than comparable biopharma and biotech offerings. It'd be easy to think that's a bad thing but in this case it's actually a sign that the company is doing exactly what it's supposed to be doing… spending money to develop new treatments and drugs.

Admittedly, I'm a little worried about the possibility of a dilutive secondary offering (meaning the company will have to raise more cash by offering more shares this year) but not so much that I don't want to invest. BridgeBio ended the year with $710.7 million in cash, cash equivalents and marketable securities.

Keep in mind that biotech companies are very speculative by nature and burning cash is as natural for them as collecting subscription revenue is for Apple. A secondary offering would simply raise cash and lower prices at which point they'd be an even bigger bargain to my way of thinking.

More selling ahead would only improve our ability to buy low and sell high.

The "Hub and Spoke" model is a completely new approach to drug development

New age biopharma - BBIO

The MMI (Master Market Indicator)

Timing is a bit of an issue.

Honestly, I would have loved to have recommended BridgeBio last August, but I couldn't for two reasons: a) I was still bound by the non-compete agreements I had to sign when I parted ways with my former publisher which means I had to keep my mouth shut and b) One Bar Ahead™ didn't exist yet.

I've been waiting for the stock to base ever since because that's almost always a great entry point. And, not coincidentally, the MMI suggests we're here … err, or there.

I am specifically interested in the quantitative similarities between the most current range and the range seen last October. I've circled both in yellow and underlined the related MMI readings in green underneath. I'm also intrigued by the most recent dip to around $55 late this past January because that suggests we could be really aggressive with our tactics and, in doing so, line up even more profit potential than would otherwise be up for grabs.

There's a good argument to be made that buying under $60 shifts the odds in your favor. Anything under $55 would be a steal potentially. The MMI certainly suggests we could get there.

Dollar cost averaging in with a little extra money each month would also be a great way to maximize profit potential and minimize the risk volatility would otherwise create.

Selling cash-secured puts at $50 a share may also be a super way to go. I suggest considering the 16 Apr 21 $50 Puts but ONLY if you can get $1 or more for every option and ONLY if you have the cash on hand to buy 100 shares for every put option you sell. (See the February issue for a review of how and when to sell cash-secured puts).

Action to Take:

Buy BBIO for $65 or less to get started.

Anything under $60 a share is a serious bargain with the right time frame and risk control based on prior MMI readings. There are no LEAPS calls available as I type. Selling Cash-Secured puts at $50 or lower may be a great alternative way to scoop up shares at a discount. Market conditions could change by the time you read this so do keep that in mind.

Implement a trailing stop 25% below your purchase price as a precaution against market hijinks while we wait for the recovery to take hold in earnest.

Tuck shares away in the Zingers segment of your portfolio.

Chapter 5

WHY I FINALLY DECIDED TO BUY BITCOIN

(AND HOW I DID)

Why I finally decided to buy Bitcoin

I recall vividly...

... the first time I heard about Bitcoin.

I was out on the town with friends in Vienna, Austria roughly a decade ago and they told me about this brand-new digital cryptocurrency over dinner.

“Let me get this straight”, I said with a beer in my hand and a grin on my face:

> *“Bitcoin was invented by a guy named Satoshi Nakamoto who doesn’t officially exist, created using platforms and algorithms he doesn’t control, is decentralized and entirely unregulated. And, to top it all off, it can’t be used for anything??!!”*

To call me skeptical would be an insult to actual skeptics.

The proposition my buddies laid out failed every test of any investable asset I’d ever learned because there was no discernable connection between price and value, two of the most critical elements to every investment on the planet. There still isn’t.

Even so, I recall thinking to myself, there’s something to this.

I’ve historically preferred “picks and shovels” plays like JPMorgan Chase, Visa, and Nvidia for example, because of the role they play in creating Bitcoin and digital currency in general. Those companies have real products backing up very real earnings so that perspective won’t change. Bitcoin was relegated to the “fuuugeddaboutiiiit” department for years.

So, why on God’s green earth did I, of all people, finally buy Bitcoin?

Why I Bought Bitcoin

The answer isn’t what you think and it has nothing to do with the more widely spread “acceptance” proponents frequently tout. Nor does it have anything to do with scarcity. Both of those are bullish arguments that are easily torn apart by anyone with half a grip on how capital markets actually work.

Institutions are moving into Bitcoin because it’s the last great un-arb’d frontier out there. Meaning there’s plenty of opportunity to capitalize on rapidly changing prices. The way I see things, JPMorgan, Goldman Sachs, Morgan Stanley and BlackRock among others, cannot afford not to “dabble” in Bitcoin, to paraphrase Rick Rieder, who also happens to be BlackRock’s Chief Investment Officer of Global Fixed Income.

My decision to buy is along similar lines.

First, the technology driving Bitcoin has simply matured to the point where it’s got some viability as a cash alternative. Bitcoin is still widely avoided by merchants who don’t want to accept it because of the volatility. This is changing, obviously, as those very same merchants figure out how to hedge the risk just like any other currency exposure they’ve already got. There is simply no putting the proverbial genie back in the bottle at this point.

Second, the gold trade is largely busted. This is a particularly tough nut to crack for a generation of investors who, like myself, grew up thinking gold was a viable safety play. Case in point, gold has appreciated roughly 7.53% or $126.72 over the past 12 months (as of 2/23/21 when I’m writing this) according to BullionByPost.com. Bitcoin, on the other hand, has appreciated 387.6% over the same time frame.

The former may have held its value but there’s no way in hell gold performed like people thought it would in the midst of one of the single greatest crises in recorded history, Covid-19. Ergo, gold’s busted.

Why I finally decided to buy Bitcoin

To be clear, I still think you want to own gold but, like mutual funds and ETFs, the way you want to think about it has changed.

And, third, duration (bonds) cannot protect my money the way they used to because interest rates don't work the way they used to - thanks to central bank meddling around the world. The pile of negative yield debt is now over $18 trillion so the high rates everybody fears are really an illusion. People are still more concerned about the return of their money than the return on their money if that makes sense.

Not to get too technical, but interest rate risks have now created a situation where Treasuries are typically overweight, and credit is underweighted which means the entire liability hedging component of many big funds significantly outweighs growth assets. In plain English, there is more risk from upside rate increases but investors – the big money fundage, in particular - cannot let go of the risk that rates decline further.[1]

Owning Bitcoin simply "makes sense" under the circumstances.

Many folks have asked about my timing with Bitcoin at $53,000 a coin but are surprised to learn that I couldn't care less about whether prices rise or fall from here. I am not buying Bitcoin because I expect prices to go up or down or because I want to use it any time soon.

I've made my decision to buy purely as a function of overall portfolio construction.

I'm planning to minimize whatever risk I can "arb" out of the equation by dollar cost averaging into Bitcoin over time. My plan is to buy a few hundred dollars a month at this point, nothing extravagant. I'm also keeping my overall position relatively low as a percentage of my entire portfolio and my ongoing purchases small to guard against the possibility that Bitcoin could go to zero tomorrow.

I've made my decision to buy purely as a function of overall portfolio construction.

How I Bought Bitcoin

Let me tell you what ... for all the hullabaloo about what a great deal Bitcoin is or could be, I've never worked so hard to buy something in my entire life! I found the whole experience to be overrated, frankly.

Step one was figuring out how I wanted to "hold" my bitcoin.

Digital "wallets" are popular but problematic. Not only to you have to safeguard 'em from others just like a real wallet, but there's the added caveat that you have to be very careful to protect your money from your own stupidity, too.

Stories abound, for example, about people like James Howell who famously accidentally binned a hard drive sometime in 2013 containing ~7,500 mined Bitcoins that could be worth $300+ million today. He's offered to pay $70 million to dig up the local dump in Wales where he believes his old hard drive is buried but British authorities have resisted so far saying the disruption would be too significant.

Why I finally decided to buy Bitcoin

Imagine forgetting your password and not being able to touch $350 million!

Then, there's programmer Stefan Thomas who simply cannot remember his password. He's apparently only got two attempts left before the drive on which he stored his Bitcoin encrypts the contents and he loses 7,000 coins worth an estimated $350 million. Naturally, people are offering to help in exchange for a share!

Alternatively, I could "mine" Bitcoin by setting up one or more seriously powerful computers to verify coding in exchange for which I'd receive Bitcoin as a reward for each "block" I complete. You used to be able to do this with an average home computer back in the day and my friend Dave "Diamond Hands" Z. did just that very successfully.

But these days the computing horsepower required now effectively makes this a non-starter unless you've got an acre of cold-storage warehouse, are located near a power plant and have a few million dollars' worth of high-powered GPUs at your fingertips. There is simply no way that was going to fly here in the Pacific Northwest!

Many people are surprised to learn that Bitcoin mining consumes more than 128.84 terawatt hours a year of energy which is more than the energy consumed by entire countries like Argentina and Ukraine. China, to illustrate my point, just forced a major bitcoin miner in Inner Mongolia to shut down because it was consuming enormous amounts of energy that caused the region to miss conservation targets.

I could conceivably buy Bitcoin mining companies. The thinking here for many people who take this route is akin to buying gold miners because there's a relationship between what they're bringing out of the ground, or in this case the server farms. A quick look, though, quickly dispelled me of that idea because the average Bitcoin miner seems to be trading at a 30%-50% premium to Bitcoin itself which means that I'd be paying around $75,000 for a $50,000 "coin."

There's also the Grayscale Bitcoin Trust (GBTC) an open-ended fund that's publicly quoted on the OTCQX under the ticker GBTC. It's part of the Digital Currency Group, which is also the parent company of CoinDesk, a digital cryptocurrency news site. You can hold the trust in IRA, Roth and other brokerage accounts.

I ruled out the Grayscale Bitcoin Trust even though it is the world's largest bitcoin fund because the minimum buy-in is $50,000 and there's a 2% annual account fee accrued daily. Moreover, the trust appears to trade at a premium to Bitcoin itself of 5% to nearly 40% according to YCharts.com when I last looked.

CrossTower, a Bermuda-based operation is launching a competing fund at the end of February as we go to press. The fund will apparently offer lower fees and is expected to trade at net asset value with no premiums and only a 0.6% fee. The minimum buy in will apparently be $100,000 which is also more than I want to commit in one shot. So that, too, was out.

Why I finally decided to buy Bitcoin

And, finally, I turned my attention to a series of Bitcoin exchanges. You'd think that this would be a very organized undertaking, but these things apparently grow off trees. Standards vary widely around the world when it comes to security, flexibility, and protection. This isn't an insignificant consideration because the running tally for stolen/hacked crypto exchanges is now $2.04 billion according to Ledger Academy.

Ultimately, I decided to open an account with Gemini, a licensed New York Trust Company regulated by the New York State Department of Financial Services. Founded by the Winklevoss twins, Cameron and Tyler in 2014, Gemini is also the first exchange and custodian worldwide to meet SOC1 Type 1 and SOC2 Type 2 compliance requirements. I also like the fact that any Bitcoin I buy through Gemini is insured with multiple providers.

Gemini, interestingly, was the first exchange to launch Bitcoin futures contracts. That's an interesting wrinkle because the CBOE and other institutions critical to the financial stability I'm after use Gemini as the basis upon which daily settlement occurs. Gemini has an institutional arm, but I didn't explore that because I have no need to do so.

Signing up is relatively easy but you do need to provide identification in the form of a driver's license or passport. Other jurisdictions may require still more documentation if the drop-down tabs that I saw during my own enrollment are any indication.

Conspiracy theorists and those who crave privacy probably won't be happy that's the case but the fact that I know Gemini and Gemini knows me is a plus to my way of thinking.

GEMINI

Ultimately, I decided to buy through Gemini

Like many exchanges, Gemini gives you the ability to link one or more bank accounts as funding sources or to use a debit card. Credit cards don't appear to be in the mix for now, though.

I chose the debit card option to fund my account for two reasons: 1) doing so was quicker and 2) I am an old dog learning new tricks so I'm plenty leery of linking my bank account information to a company that is such an obvious target for those with nefarious purposes in mind and dealing in a currency that isn't actually money.

From there, I hit "buy" and, according to my boys, became a card-carrying member of the 21st century.

Interestingly, my bank initially blocked the transaction three times in a row and set off a comedic series of calls with the "security department." That's apparently not uncommon depending on where you reside and which exchange you're trying to use. There may be taxes on "foreign currency" imposed as well but that didn't happen with me because I was going from U.S. Dollars straight into Bitcoin.

Monitoring my account is easy because Gemini's done a super job organizing things. I particularly like the fact that Gemini is simple to navigate because that makes it easy to keep tabs on the money I'm losing, at least so far anyway.

I have no idea what's going to happen next

MicroStrategy CEO Michael Saylor thinks bitcoin's market value will hit $100 trillion while LMAX Digital's currency strategist, Joel Kruger sees support at $42,000. Meanwhile, ExoAlpha's CIO, David Lifchitz sees $30,000 if Bitcoin really corrects. Dr. Nouriel Roubini quipped that the Flintstones had a better monetary system than Bitcoin.

We will see!

continued. →

Why I finally decided to buy Bitcoin

Questions

Does the fact that I've finally bought Bitcoin mean that it's time to abandon gold?

Not necessarily. I think gold is still a viable investment, but you've got to think about it differently in light of Bitcoin's rise. Storing value is not the same thing as creating it. Diversification doesn't work like it used to.

Are you buying any other crypto-currencies like Ethereum or Dogecoin?

Not right now. The institutions I'm looking to and for are concentrating on Bitcoin for a reason and that gives Bitcoin the "depth" I want to dabble. Ethereum and Dogecoin aren't on my radar screen until there's similar institutional interest and focus. Not for nothing but Dogecoin was started as a joke ... so, there is that.

Are you scared of buying at "the top" with Bitcoin at $53,000?

Not really given how I view the situation. I'm more interested in the alternative value than I am in absolute price stability. Still, I am keeping risk small for now as I get a feel for how Bitcoin behaves. And, I'm technically not the bag-holder yet ... Bitcoin has fallen from a 52-week high of $58,334.78.

I'm planning to hold for at least a decade

How long are you going to hold Bitcoin?

I have no idea but I'm thinking at least a decade as I build out the position.

Is there an appropriate % to allocate for somebody interested in making a similar move with their portfolio?

There's simply not enough information known yet to answer that appropriately. My team and I are running numbers six ways to Sunday at the moment, but the results are all over the proverbial map so far. JPMorgan Chase strategiests Joyce Chang and Amy Ho recently issued a note suggesting 1% could be the ticket while classic diversification studies suggest 3-5% in non-correlated assets may be appropriate.

My take is that we simply don't know enough about how Bitcoin behaves to throw a number out.

Additional Resources

Binance Academy

academy.binance.com/en

Coindesk

coindesk.com

Cryptopedia

gemini.com/cryptopedia

Gemini Trust Company, LLC

gemini.com

PORTFOLIO REVIEW

Plus, this month's OBA 50

Portfolio Review (March 2021)

The markets have gone into freefall as I write Thursday afternoon. Do NOT let that throw you off your game. As I noted during an appearance on Making Money with Charles Payne earlier (Thursday), this is a sign that the markets are working normally. Traders are simply deleveraging to cope with the possibility of rising rates which means it's a technical selloff, not a fundamental deterioration.

History shows very clearly, that playing offense is THE way to go when the you-know-what hits the fan.

The question to ask yourself if you feel fear creeping in around the edges – which is normal by the way - is which companies you will regret not owning five or ten years from now … not which companies you're going to sell today.

Speaking of which, here's a quick look at our OBA Model Portfolio.

Foundation stones

This category contains companies intended to be the base around which all other choices are built and will account for roughly 50% of overall investable capital. The intent is to create stability that gives you the freedom to pursue more aggressive choices in the other two tiers over time. There will be some turnover here but, odds are, not much over time; the emphasis is on fundamental underpinnings.

Global growth and income

This category houses companies offering a unique twist on one or more of the "5 Ds" or which are technically of interest and will represent roughly 40% of your overall investable capital. The goal with this segment is appreciation potential AND an income boost so expect to see dividend payers and players here. Turnover here may be based on a combination of technical and fundamental data and slightly higher. Market action could also trigger entries and exits.

Zingers

This category is home to the most speculative choices and will account for roughly 10% of your overall investable capital.

Zingers are fundamentally compelling but are going to be selected based on a higher relative technical analysis weighting using the OBA engine and the MMI specifically. Expect turnover to be highest in this tier based on technical market action.

Foundation stones (50%)

Apple Inc (AAPL) – Apple took a bit of a dive in February, as inflation worries took hold in the markets. Contrary to what many were doing, I advocated buying more shares and selling cash-secured puts (see below) as a way to buy the stock less expensively using the **Power Trading Strategy** I outlined in the February issue.

Apple is one of the very few companies in the world that has the potential to dramatically outpace inflation through innovation which means there is virtually reason NOT to own it.

I suggest holding existing shares and, if you're aggressive or want to add to shares, doing so now. Apple bought back $27.64 billion of its own shares in the December quarter, its first for fiscal 2021, according to Standard and Poor's. That's up from $17.59 billion in Q4 2020, and $22.08 billion in Q1 2020.

continued. →

Portfolio Review (March 2021)

In other news, Apple car rumors were reported as being false, but I'd bet dimes to my favorite fruity shares that the Apple Car is still very, very real. If anything, I think the impact is being tremendously underestimated which puts it on par with Tesla's recently announced DSF.

If you'd like to own AAPL at $95 and would like to try your hand at selling cash-secured puts, I suggest a look at the 18 June 95 put. It's trading at $1.25 as I type. Granted, this option is 100+ days out and only has a 7% chance of the stock being "put" to you but getting paid to go bargain hunting is always a good plan in my books.

As always, make sure you have the cash on hand which, in this case, is $9,500 for every 100 shares you buy at $95 if the stock closes at or below $95 at expiration on June 18, 2021.

See the February issue for a detailed look at **Selling Cash-Secured Puts** for more. It's in the newly enabled archives that are now up and running!

JP Morgan (JPM) – JPM held up well amidst an otherwise serious selloff last month because higher interest rates would actually help produce higher profits. Like Apple, JPMorgan has the potential to rapidly outpace inflation and is, for this reason, really appealing at the moment.

JPMorgan is our top performer so far and I think will be a key player for years to come. I am starting to think about who will replace CEO Jamie Dimon when the times comes but that's a bit farther ahead.

The MMI, incidentally, is flashing a higher-than-normal reading so a technical pullback might be in order. I'd consider buying the Mar19 $142 puts at $1.00 or less as a hedge in the event there is a more serious selloff. Otherwise, maintaining your current trailing stops should do the trick.

Incidentally, JPMorgan strategists recently recommended buying Bitcoin with a 1% allocation.

BlackRock Science and Technology Trust (BST) and BlackRock Science and Technology Trust II (BSTZ) – Not too much to report here. The companies in these two funds' portfolios are still the best in class, and I'm bullish in the long run. Digitalization is the largest single 5 D trend we're following and there are trillions of dollars ahead that should drive unprecedented profit potential for the next decade.

The recent pullback is an engraved invitation to my way of thinking.

I'm particularly interested in Arrival Ltd, a zero-emissions urban mobility company based in the UK which has recently been added to BSTZ's portfolio. Long story short, Arrival makes some really cool busses and vans and I'm intrigued enough that I'm considering dabbling into a Zinger in a future update.

NEW – Microsoft Corp (MSFT) – Microsoft is a cash cow, plain and simple. Many people consider it a software company and they've stopped thinking about what's next. Talk about a mistake.

Microsoft's real mission is bringing people together and the company just happens to make software, AI, and big data products that do this. Combining those factors with projections of double-digit revenue growth for 2021 and continued 40-50% growth in their Azure cloud services, this is a great example of a company that's perfectly aligned for the 5D's ... as in all of the 5 D's! Finally, there are many new services just around the corner with their HR software, quantum computing, and AR endeavors finally becoming a reality.

The MMI suggests that this is not only an appropriate investment, but the timing is dang close to optimal if you've got a hankering to pick up a few shares like I do.

Portfolio Review (March 2021)

Global Growth and Income (40%)

Gilead Sciences (GILD) – There is no question that GILD is perfectly poised to capitalize on treating the Coronavirus and I think the fact that the stock is drifting around in the low $60s is great because the potential is so much higher.

Veklury, formerly known as Remdesivir, accounted for nearly $1.9 billion in sales in the fourth quarter of 2020, with the drug reportedly being used for 1 in 2 hospitalized COVID-19 patients. I don't see the virus disappearing anytime soon, and this will continue to be a good revenue driver that ultimately annuitizes revenues.

Looking beyond the virus (which is where I coined the term "Virus+") Gilead reported 40% in growth in their newer HIV therapy Biktarvy. I'm also pleased to see that they are also starting sales for Trodelvy, a breast cancer treatment which came as a result of their $21 billion Immunomedics deal last year.

Pfizer Inc. (PFE) – Like Gilead, Pfizer is a "virus+" play, and their latest earnings report reflects tremendous potential the market doesn't yet understand. I think it's a fabulous entry point as a result because the Upjohn divestiture has yet to be properly reflected in their numbers.

Pfizer's vaccine is 95% effective and expected to add $15+ billion to the bottom line. And, as I noted in a recent weekly update, not for nothing but there's now reportedly a third dose in the works that could help contain mutations!

I'm also pleased to see double-digit growth in almost every other area of the company's portfolio including 21% growth in their oncology portfolio specifically. I think there's a very real possibility that we solve cancer in the next 10 years and that PFE could play a key role in making that happen.

Meanwhile, I think the company's 4.66% dividend is hard to beat!

Palantir Technologies Inc. (PLTR) – The lockup period expired and, right on schedule, there was a bout of selling as insiders unloaded a few shares. Critically, the freefall many expected did not materialize which tells me there's still plenty of insiders who understand that the future is very, very bright.

Wall Street, of course, continues to misjudge Team Thiel and that's okay with me. Palantir is growing at nearly 50% a year and I think the figures are actually going to come in at 55-60% when we ultimately get a look down the road.

With new key contracts from the NHS, Air Force, and most recently, a partnership with IBM, I continue to believe that Palantir is a $50 stock a year from now. Evidently, so does Cathie Wood whose ARK Funds recently added 2.6 million shares during the downdraft.

On a side note, if you're interested, there are snippets of the Palantir "demo day" presentations online. It's a great way to see what they're actually doing – and totally, scary cool, too!

Zingers (10%)

Affirm Holdings, Inc. (AFRM) – Not much changed here. Affirm reported knockout earnings, beating expectations by nearly 8%. Estimates for the year are also well above estimates, which I like. Wall Street, of course, didn't see eye to eye and the stock's been punished.

I think that's nothing more than a tactical consideration created by those who missed out on the initial run and who want a lower entry point.

Incidentally, I'm using the opportunity to sell calls against the position and lower my cost basis.

continued. →

Portfolio Review (March 2021)

My position is still very, very small as a means of controlling risk while I wait for the company to gain strength. So, to be clear, I am NOT loading up, but merely continuing to nibble.

If you're interested in doing the same thing, consider buying or adding to shares at $80 or less and again at $65 or less. The orders would be "buy ____ shares of AFRM Limit $80. GTC" and to "buy ____ shares of AFRM Limit $65. GTC." respectively.

The former is just to keep our toes in the water while the latter may be a "back up the truck moment" if the selling really accelerates.

NEW - **BridgeBio Pharma Inc (BBIO)** – This is the coolest bio/pharma/tech company I've run across in a long time. Not only is the company creating a new "hub and spoke" model of drug development but the structure makes risk significantly lower than any single biotech play on its own. Shares have dropped below the prices I outlined in this month's write up as the selling accelerated so there's a real opportunity here!

See Chapter 4 for more!

bridgebio

I'm really excited about our new Zinger!

Hedges

Hedges are "just in case" investments against market calamity. There is no way to completely eliminate market risk, but you can take steps to tame it. Studies suggest that 1%-3% of total investment assets in a non-correlated choice like these can give you the freedom to maintain a more offensive posture than you could otherwise. We can/will add to these if the markets rollover for any reason.

ProShares Short S&P 500 (SH) – this is a specialized inverse ETF (exchange traded fund) seeking a return that is -1X the S&P 500. Expense ratio is 0.90%.

Rydex Inverse S&P 500 Strategy Fund (RYURX) is a specialized inverse fund seeking a return that is -1X the S&P 500. The fund is non-diversified and will invest at least 80% of net assets in financial instruments intended to perform opposite the S&P 500 upon which it is based. The Gross Expense Ratio is 1.57% and the Net Expense Ratio is 1.53%. Distribution Yield is 0.42%.

ProShares Ultra VIX Short Term Futures ETF (UVXY) is a leveraged ETF intended to perform 1.5X the VIX, a key volatility measure. I suggest picking up shares any time the UVXY is under 11. Or selling cash-secured puts that accomplish the same thing. There is some degradation because of the leverage involved so I suggest you use the UVXY more opportunistically than as a semi-permanent or ongoing hedge like either the RYURX or SH.

Position Sizing Guideline	
Foundation Stones	50%
Global Growth and Income	40%
Zingers	10%
Hedges/Inverse	1-3%

Portfolio Review (March 2021)

Position Table

	Stock	Recommended	Price at Entry	Current Price	Yield/Dist Rate	Profit/Loss	Stop Loss/TS	Last Instruction
Foundation Stones	AAPL	1/8/21	$ 132.05	$ 120.13	0.62%	-9.0%	25% TS	Add below $125
	JPM	1/14/21	$ 141.17	$ 150.56	2.80%	6.7%	$105	Hold/add below $130
	BST	2/5/21	$ 58.16	$ 53.07	4.06%	-8.8%	25% TS	Add below $50
	MSFT	3/5/21	$ 226.73	$ 226.73	0.95%	0.0%	25% TS	New/add below $225
	BSTZ	2/5/21	$ 39.31	$ 34.83	3.78%	-11.4%	25% TS	Add below $35
Global Growth and Income	GILD	1/11/21	$ 62.51	$ 63.23	4.15%	1.2%	25% TS	Hold/add below $60
	PFE	2/5/21	$ 34.92	$ 34.25	4.35%	-1.9%	25% TS	Hold/add below $35
	PLTR	1/8/21	$ 25.20	$ 24.75	0%	-1.8%	None	Hold/add below $30
Zingers	AFRM	1/14/21	$ 114.85	$ 84.46	0%	-26.5%	None	Hold/Lighten
	BBIO	3/5/21	$ 62.52	$ 62.52	0%	0.0%	None	New/add below $65
Hedges/Inverse	SH	2/1/21		$ 17.74	$ -		None	Hold
	RYURX	2/1/21		$ 35.98	4.42%		None	Hold
	UVXY	2/1/21		$ 9.73	$ -		None	Hold
								TS = Trailing Stop

All prices as of 3/4/2021

OBA 50

Ticker	Name	Ticker	Name	Ticker	Name
AAPL	Apple Inc	GOOGL	Alphabet Inc	QCOM	Qualcomm Inc
ADBE	Adobe Inc	JNJ	Johnson & Johnson	ROKU	Roku Inc
AFRM	Affirm Holdings Inc	JPM	JPMorgan Chase & Co	RTX	Raytheon Technologies Inc
AMAT	Applied Materials Inc	LOW	Lowes Companies Inc	SQ	Square Inc
AMD	Advanced Micro Devices In	LRCX	Lam Research Corp	TDOC	Teladoc Health Inc
AMZN	Amazon Com Inc	MRNA	Moderna Inc	TGT	Target Corp
AVGO	Broadcom Inc	MSFT	Microsoft Corp	TMO	Thermo Fisher Scientific Inc
BBIO	BridgeBio Pharma Inc	MU	Micron Technology Inc	TMUS	T-Mobile US Inc
CRWD	CrowdStrike Holdings Inc	NET	Cloudflare Inc	TSLA	Tesla Inc
DHR	Danaher Corp	NFLX	Netflix Inc	TTD	Trade Desk Inc
DIS	Walt Disney Co	NOW	ServiceNow Inc	TWLO	Twilio Inc
DOCU	Docusign Inc	NVDA	Nvidia Corp	V	Visa Inc
ETSY	Etsy Inc	PFE	Pfizer Inc	W	Wayfair Inc
FB	Facebook Inc	PINS	Pinterest Inc	WMT	Walmart Inc
FDX	Fedex Corp	PLTR	Palantir Technologies Inc	ZM	Zoom Video Comms Inc
FSLY	Fastly Inc	PTON	Peloton Interactive Inc	ZS	Zscaler Inc
GILD	Gilead Sciences Inc	PYPL	PayPal Holdings Inc		

THINKING "ONE BAR AHEAD"

- Digital Banking -

Thinking "One Bar Ahead"

Money is overrated. And, if you're one of millions thinking that it'll never change, you could be in for a seriously disappointing future.

Here's my take on the Digital Banking.

New jobs + new rules = winner take all

Banks are spending billions to convince us that they're hip, relaxed, and focused on consumers. That's a load of you know what. Try getting a loan if you're a digital worker making a living from your online streaming activities or an virtual gamer with a million followers. It's all but impossible because the banks would rather loan to minimum wage earners and conventional employees who are somehow "less risky."

Everything these days, sadly, comes down to whether your loan can be packaged and sold to Wall Street, not your creditworthiness.

Potential investment implications: Banks created for and run by digital workers. A de-securitization of lending channels. The next great move in digital banking will be led by tech companies like Apple and Amazon. Many banks, including widely owned household names, will fall on hard times or vanish all-together.

Game streamers can't get loans. Time for a change!

Bank branches are a drag

Going to my local bank branch is less fun than going to my dentist. To be fair, I love the staff who are inevitably cheery, talented and glad to see me, but I'm reminded that the very notion of a branch itself is a dinosaur every time I step inside and see yellowing linoleum, worn carpets, disused conference rooms and vacant desks. I hate trying to get something done only to learn that the person I need to speak with is "floating" at another location for the day. Or being told to go online where the instructions are to call my local branch. You can't make this stuff up!

Potential investment implications: Specialty REITs that bundle underused or failed branch properties. I see very specialized, high-value conversions into last mile delivery facilities, medical supply distribution, cloud kitchens and more. I can also envision a new class of banks offering nothing but safety box storage. Existing banks trying to save their branches by "spiffing 'em up" should study Sears very carefully.

CyFi (Cyber Risk + Financial Crime)

Traditional theft protection mechanisms and safeguards are no longer capable of protecting consumers because financial crime is increasingly complex and sophisticated. Analytics and AI help but won't ultimately be enough.

Potential investment implications: Biometric security sensors (a la Apple watches), cybersecurity, and encryption-key tech that's DNA based. Cognitive AI that's actually conversational, secure and, importantly frictionless. Cardless transactions. Digital detectives, forensics and data recovery. Compromised machine reconstruction.

Programmable money

Many people are convinced that blockchain is the do-all, end-all when it comes to the future of digital money, but I don't think that's true. I see companies and even countries refining a system of programmable money that exists for short periods of time and for specific transactions. These will take the place of Letters of Credit, the SWIFT system and other international currency pairings presently used for commerce.

Potential investment implications: Transaction based exchanges where data becomes money and money becomes data. Peer to peer loyalty points, barter and a reduction in fiat currencies.

The End of Anonymity

Digital identities are being created by people all over the world who crave privacy but the one place where a common, unilateral identity is required is money. This will shift control from governments and big corporations to individuals capable of managing what they need and how they're going to pay for it. Online accountability will increase dramatically.

Potential investment implications: Online digital "arms race" to secure identities. Shifting focus from freedom of speech and transactions to the responsibility associated with both. Accountability based on need, not desire.

The future of digital banking is probably not... banking!

KF

Got a topic you want covered?

There's nothing I like more than great questions, comments, and suggestions.

Please send me your "thinking OBA" via email using askkeith@onebarahead.com or hit me up on Twitter @fitz_keith

Chapter 8

ASK KEITH

Get your questions answered!

Ask Keith

Q: Why would you buy Bitcoin at $50,000 after a huge run up?

- Michael S.

A: Respectfully, why wouldn't I? Volatility equals opportunity, the markets have an upside bias and I've got the necessary risk management, discipline, and tactics to manage the risk associated with doing so.

People tell me all the time they'll "wait for a pullback" or a "correction." Nine times out of ten, those very same people either vanish into the mists of time or surface years later at a conference we're attending with rueful commentary along the lines of "I wish I'd bought ... Apple three splits ago, Amazon at $500 a share, Tesla at $200" ... you get the idea.

The only reason people fear high prices is because they're not prepared. Tactics like **LowBall Orders** and **Selling Cash-Secured Puts** can help (by reintroducing the discipline needed and which many of us lack from time to time).

Q: If Walmart sales were up so much, why were earnings not so great?

- Dennis M.

A: Super question, Dennis. Sales can still expand over time, but profits can actually drop because the marginal cost of producing each revenue dollar rises. That's what happened here. Walmart is spending a lot of money on customer acquisition, plans to boost online operations and improve warehouse efficiency – all of which ate into the bottom line. I would also guess that this spending and R&D is being done ahead of the $15/hr wage hike, so that they can ironically, get rid of the jobs.

Q: Would you ever consider an ETF like FV for top sector exposure?

- JB.

A: Probably not. The idea is great - to stay ahead of the fast money using relative strength in an equally weighted fund of funds – but our research suggests concentration is the more effective way to go.

For example, every $1,000 invested in the S&P 500 in July of 2010 would have resulted in total returns of 319.248% including dividends by December 2020 or $4,192.48. That's certainly fabulous and nothing to shake a stick at. However, the same $1,000 invested just two days earlier in Tesla (TSLA) but also held through December 2020 would have generated a 16,870.5% return or $169,705.02!

Buying funds is a lot like buying cable TV in that you have to pay for a lot of channels (and stocks) you don't want to get the one or two channels (and stocks) you actually do! I'd rather go a la carte.

To be clear, not all funds are bad but the notion of why you buy 'em and what you'll achieve when you do has changed considerably. Not for nothing, there are 10-15 "Teslas" out there right now and I'd hate to see you miss out on even one of 'em!

Ask Keith

Q: Is gold ever going to take off and should I be buying bitcoin instead?

- Darla C.

A: Tough call, Darla. I can't advise you personally because I don't know your risk tolerances, objectives and situation. My take is that much of the speculative energy that would otherwise propel gold higher has gone into Bitcoin and other cryptocurrencies. In fact, I went so far as to call Bitcoin the "new gold" several years ago and that narrative is starting to catch on.

To be fair, I have no idea how high Bitcoin could go but a leaked Citibank report I saw a while back suggested $300,000 by year end 2021. It could also go to zero. I don't think either case is probable but they're certainly possible under the right set of circumstances.

I don't think it's unreasonable to own some.

Q: How much of Tesla's value is attached to Elon Musk personally?

- Nick S.

A: Excellent question, Nick. That's something I'm giving a lot of thought to because of what's called "significant man" risk. The situation was very similar with Apple under Steve Jobs or Microsoft under Bill Gates.

The right successors can actually make the stock track far higher over time, and that catches a lot of folks by surprise. My research suggests that the initial drop if/when Musk steps aside will be a massive buying opportunity if the right successor emerges.

Q: I understand the concept of a "free trade" – meaning you sell half at 100% - but why would you want to do that with a company like Apple, for example? What am I missing?

- Mark S.

A: I get that question a lot, Mark. It's important and there are two primary considerations:

First, big profits are not always a question of raw gains like most people think but, rather, avoiding catastrophic losses. There are a lot of similarities to gaming theory in that regard.

Selling half of a position that's up 100% means you immediately reduce the risk of future loss to as close to zero as you can get because you've recovered the initial cost of making the investment. It's a professional grade tactic that allows you to play with "house money" as fast as possible.

Second, the free trade ensures discipline because it forces you to buy low and sell high. Everybody is discipline-challenged from time to time including me and this can be a great way not to miss opportunity.

Send your questions in!

There's nothing I like more than great questions, comments, and suggestions.

Please send me yours via email using askkeith@onebarahead.com or hit me up on Twitter @fitz_keith

Chapter 9

HIGH PERFORMANCE OVER 50™

3 Easy Ways to Seize the day, Every Day!

High Performance Over 50™

Chances are good if you're a certain age (like I am) that you've been told to "slow down" or to "take it easy" by doctors, neighbors ... heck, even your children!

Like that's going to happen – NOT!!!

I've got too many things I want to do, places I want to see, and people I want to spend time with. What's more, I have a hunch that you feel the same way because you're here and a part of the One Bar Ahead™ Family.

High performance over 50 – or at any age for that matter – isn't something that happens by accident.

Achieving great results consistently comes from having great knowledge, great habits and the constant application of both of those things. Even the smallest connections add up over time.

I hear from people frequently who think I'm being persnickety but I don't think so. Every decision you make has the potential to impact the rest of your life.

Starting's not difficult.

---

1 - Get up early and consistently

I used to think sleeping in was the "bomb" but that changed when I realized that the rest of the world was up and moving. And if I want to be a part of it, I'd better be, too. I'll be the first to admit this isn't always easy, but I take great comfort in the fact that I'm not alone.

Apple CEO Tim Cook often wakes up at 3:45 a.m. because it helps him steal time from the east coast. Then, he hits the gym, Starbucks, and finally, the office. Legendary CEO Sergio Marchionne rose at 3:30 a.m. and invented what he called the "8th day" because of the extra time he recovered. Arnold Schwarzenegger still works at Gold's Gym at 7 a.m., or at least he did until Covid-19.

Not many people realize this, but I've often been up for several hours, worked out, and done my daily analysis before you see me on TV at 6.00 a.m. West Coast time or even 4.00 a.m. if it's a "wicked early Wednesday with Maria Bartiromo.

Sometimes, if the weather's good, I'll even take an early morning motorcycle ride or drive to really get my juices flowing. Seeing the sun come up and the way the blues, greys and purples highlight the mountains to our east is something I just cannot be thankful enough to experience.

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2 - Keep it simple

Facebook CEO Mark Zuckerberg is famous for wearing the same identical t-shirt and jeans. He says it helps eliminate decision fatigue and focus. I agree which is why I start my day thinking about what I must get done then going to great lengths to eliminate everything else.

Having a lot of choices seems like a luxury but it's a curse if you really want results. Or, at least that's been my experience which, I might add, I've learned the hard way.

3 – Jump in the lake (or take a cold shower)

Studies show that cold water therapy has been used for centuries to help our bodies adjust to stress, treat depression, and improve metabolism. Cold water also improves circulation and helps your brain process freshly oxygenated blood faster. No coffee needed!

The biggest benefit, though, is also one that most people don't think about ... mental toughness.

I've been known to run out of the office and jump in the lake behind our house when I've got a big meeting ahead or a really super stressful day behind me. Especially if one or two of the USN SEALs on my team are anywhere nearby.

A cold dunk according to them is forged by desire, not fear like most people think.

Truth be told I don't particularly want to jump in the water or take a cold shower which I often do when I'm travelling, but I love the fact that I can commit to a goal and get it done. Shivering, of course, is optional!

Today IS the day!

KF

Love those early morning rides!
Sometimes Kuni (our oldest son) joins me

Wrapping Yourself in Positivity Can Make You a Better Investor

Studies show very clearly that wrapping yourself with "positivity" makes you far more likely to achieve your goals. The more specific, the better and more likely you are to make 'em happen.

Success is contagious!

That's why I encourage you to share your journey. Doing so can help you develop and maintain the motivation needed to make you a better, more consistent, and knowledgeable investor or trader. Plus, it's a great way to learn new habits that can help you crush your goals.

What do you hope to achieve by being part of the One Bar Ahead Family and why? Have you just made your first options trade? Did you learn something unique about a recommendation recently that helped you make a decision? Was there an "aha" moment that helped you avoid a loss or even take one and have the discipline to move on? Did something I say or write make a difference? How has my research helped you over the years?

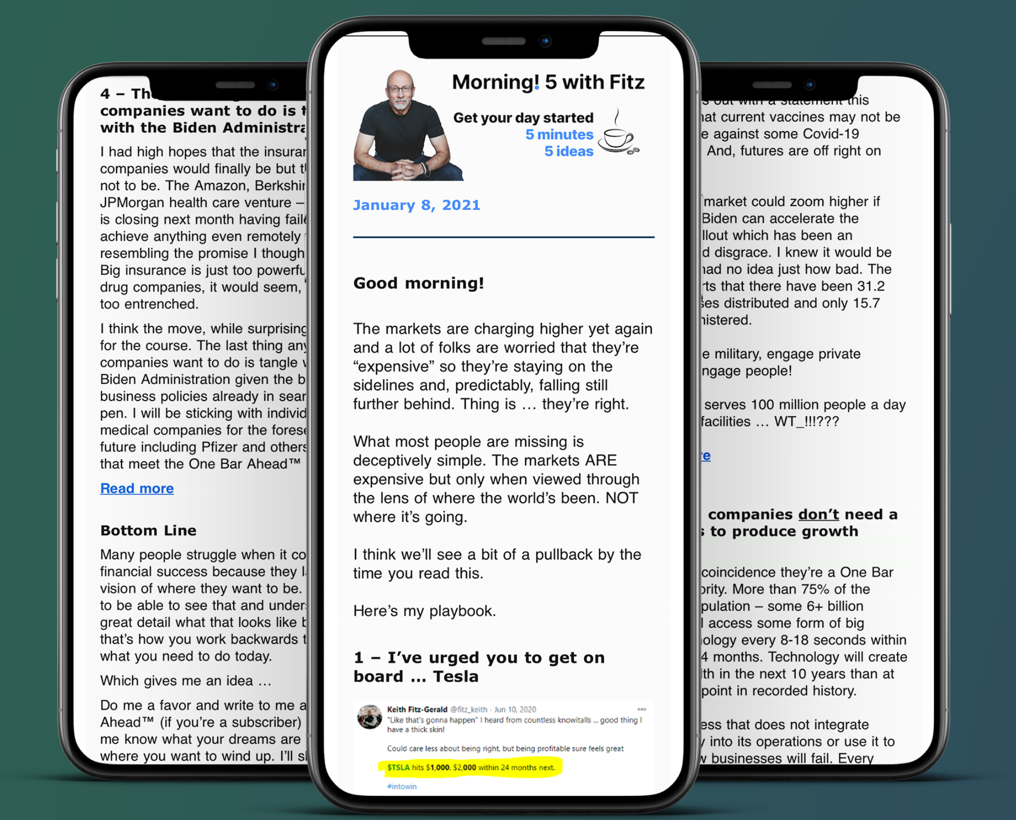
Please send me an email at **magazine@onebarahead.com** and share your "success" with the Family! Be sure to include a great picture and a brief description.

SAY HI TO OTHER MEMBERS OF THE FAMILY!

KF

Thank You for Reading One Bar Ahead™!

The quest for bigger, more consistent profits never stops. You simply need access to the right stocks, the right strategies and the right education. No gotchas, no gimmicks. In plain English.



Morning! 5 with Fitz

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