ROKU 440.86 ▲ | LB 73.79 ▲ | AMAT 137.96 ▼ | HCA 216.65 ▲ | SPCE 46.31 ▼ | QCOM 141.76 ▲ | MU 79.74 ▲ | MSFT 276.22 ▲

JULY 2021

# One Bar Ahead™

BY KEITH FITZ-GERALD

New Research!

## Beat the market

with just 7 funds and stocks

The surprising truth about

## TRAILING STOPS

What lumber

## PRICES

are really telling investors

CRAZY FACTS about the **"IoT"**

Fire up your life (and your summer)!

**Metabolic Profit Potential**

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Keith Fitz-Gerald's ONE BAR AHEAD™

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# Letter from Keith

## Dear Reader,

Many people think the world is a bleak place at the moment.

I am not one of ‘em.

In fact, I think the opposite is true.

We’re headed into a very bright, dynamic future filled with unprecedented opportunity. We now have more computing power, more smarts, and more technology at our disposal than at any other point in human history.

Author, XPRIZE Foundation Founder, Executive Chairman, and overall genius Dr. Peter Diamandis refers to what’s happening as an age of abundance.

My take is slightly different.

I believe the age of exponential technologies is somehow more applicable as our world re-emerges from the ravages of Covid-19.

The path we’re on is the *strongest case for optimism in human history*.

There’s a good chance we’ll solve many of our most vexing problems within the next decade, perhaps two at the most. Cancer, hunger, pandemics, climate change, dirty energy, genetic diseases … they’re all on the cusp of being eliminated.

There will be more profits created in the next 10 years than the last 50 combined.

Conventional wisdom, of course, says, “no way.” The gap between the wealthiest and the poorest “has never been greater” many point out. “Wealth disparity is at all-time highs” caution seemingly sage folks, usually at the end of a wagging finger and a raised eyebrow. Those at the bottom of the food chain have “no chance” admonish others.

**Bull-oney!**

*The future is rushing towards us at breakneck speed* and, with it, come all sorts of things that will raise millions of people up. Not hold them back.

It’s critical that we tap into that, both as humans and as investors.

Vertical farming, for example, uses 90% less water and 80% less land yet can quadruple crop yields. Increasingly available wearable technology like the Apple Watch I have on as I type is on the cusp of being able to diagnose information better than almost any physician. 3D printing is going to radically change supply chain management. Self-organizing building materials could create an entirely new form of synthetic biology.

Conventional thinking simply will not cut the proverbial mustard any longer.

People worry about protecting against downside risk and that’s entirely logical. Yet, we’ve arrived at a point in time where the potential upside dramatically tips the scales.

Missing opportunity will be far more expensive in the years ahead than trying to avoid risks you cannot control.

Counterintuitively, falling behind is the real peril for millions of unsuspecting investors and traders who don’t know any better. Or, worse, those who are completely oblivious to the future ahead.

Thankfully, we’re already ahead of this challenge.

The entire One Bar Ahead™ approach is focused on maximizing upside capture and minimizing downside risk. Every stock we’ve selected so far and those we’ve yet to buy into ties into the “5Ds”, each of which is backed by trillions of dollars that will get spent no matter who is in the White House, how Wall Street tries to manipulate the system to its own advantage or even what the Fed does next.

This month, we’re going to step it up a notch!

People have asked me since we launched if it's possible to create a fund-oriented version of One Bar Ahead™ or upgrade the 50-40-10 Model I pioneered at my former publisher. A model I might add, that has been used successfully by hundreds of thousands of investors over the past 15 years. Possibly even millions of folks.

So, I did.

This month I am super-excited to introduce the One Bar Ahead™ Fund Folio. It could be just the ticket if you're just starting out or simply want a more streamlined approach to maximising profit potential yet still keeping risks as low as possible. Plus, it's as 401k friendly as I can make it.

I've also got a detailed look at "trailing stops" that I think you're going to find super-helpful, if not surprising. Many members of the One Bar Ahead™ Family have expressed concerns about summer volatility. Knowing how to use trailing stops properly can make a huge difference.

Then I'll share some crazy facts about the Internet of Things (IoT), a few technology-oriented fascinators, some thinking about why lumber prices aren't all they're cracked up to be at the moment. I'll also discuss what to do when analysts disagree about stocks that interest you or you already own.

And finally, we'll wrap up our time together with a look at metabolic profits and why firing up the rest of your life starts in the kitchen!

Thanks, as always, for being part of the One Bar Ahead™ Family!

Best regards for health and wealth,

Keith 😊

PS: I'd enjoy hearing what you're up to this summer. What investments and trends interest you the most and why? Is there a technology that's made a huge difference in your life? Have you taken up a new hobby, travelled somewhere interesting or done something surprising? If you have pictures, please send 'em along! My team and I read every note ... and we'd appreciate hearing from you - we're in this together!

**magazine@onebarahead.com**

# THE ONE BAR AHEAD™ FUND FOLIO

Beat the market with just 7 funds and stock (or less)

FULL PORTFOLIO INSIDE →

# INTRODUCING THE OBA FUND FOLIO

## My job is very straightforward!

I give everyday people the tools they need to succeed and the opportunity to build real wealth.

My goal is to help you arrive in style and to achieve your financial objectives faster than you ever thought possible. No matter where you are in life, when you started, or how you're finishing.

I offer a simple, big-picture safety-first approach. One that's capable of creating peace of mind in a world paralyzed by fear, unprecedented change, and uncertainty. One that will keep you and your wealth "one bar ahead."

Now, I'm about to make it better.

Using simple, cost-efficient exchange traded funds (ETFs) and a few key stocks that dang near anybody at any stage of life can buy any time they like.

People have asked me for years to take what I know about making money – how to find great stocks, manage risk and the strategies that have helped successful investors and traders go from zero to millions, perhaps even billions - and to create a fund-based product that is as close to "set it and forget it" as I can make it.

So, I did.

I call it the One Bar Ahead™ "Fund Folio."

The OBA Fund Folio is convenient, easy to implement and even easier to maintain. Risk management is built in.

Critically, the OBA Fund Folio is beating the S&P 500 by 635% as of press time according to my research. Obviously, that could change at any time; past performance and all that jazz.

I try very hard to make every recommendation a winner, but I put my shoes on just like everybody else … the markets can and do often have other ideas!

To be clear, I am NOT telling you this brag.

That's never been my style and I'm sure as heck not going to start now!

The OBA Fund Folio is created to help you *win* which is a very different proposition from Wall Street's models. Those things, with very few exceptions, are built not to lose.

This is why so many investors are falling behind even though they've diligently "diversified" their portfolios like they've been told to for decades.

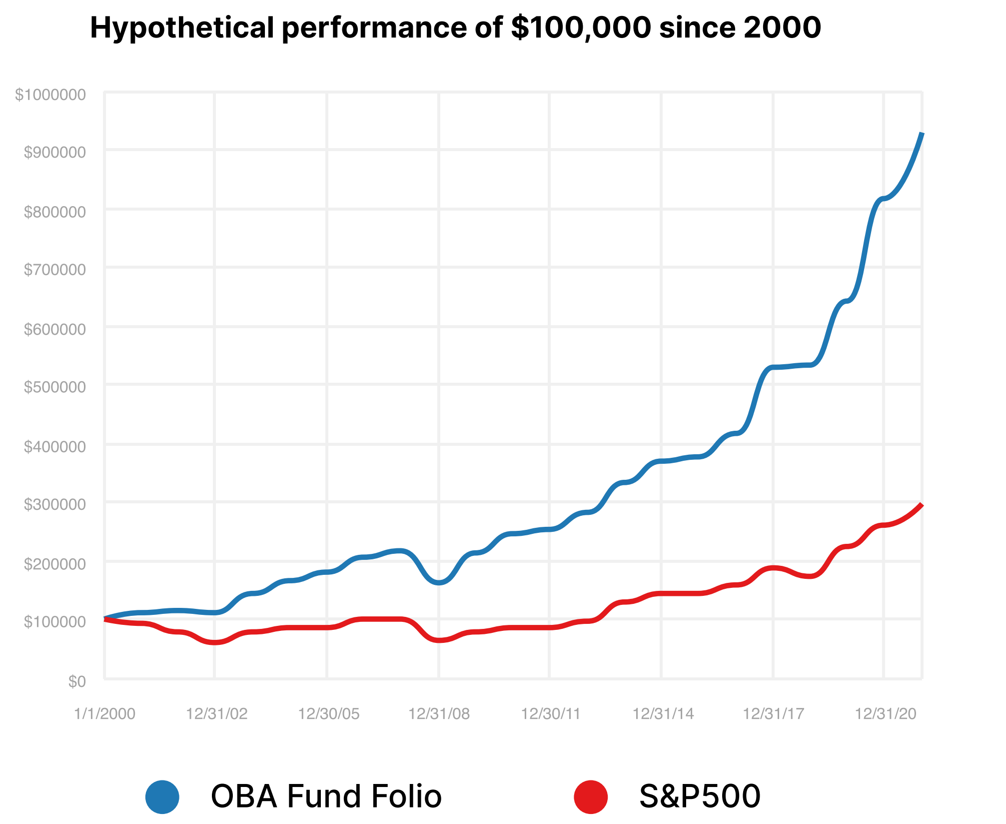
The OBA Fund Folio could be just what you need if you're starting out or are the kind of person who breaks out in hives whenever you think about investing or hear the word "finance."

You could even call this a "recovery plan" if you're an active investor or trader who hasn't achieved the results you thought you would.

## Here's what you need to know:

- There are 7 funds and stocks involved.
- The OBA Fund Folio is included in your One Bar Ahead™ subscription.
- You can expect to make adjustments 1-2 times a year. Doing so should take you all of 15 minutes, perhaps less. I will be providing a free Excel-based tool to help when the time comes. I will also be sharing changes - if any - to the recommended funds, too.
- It's counter-intuitive but stepping back and doing less forces you to buy more when prices are low and sell more when prices are high. Many investors understand this instinctively but very few actually do it successfully.
- The OBA Fund Folio is as IRA/401k friendly as I can make it, especially where funds may be your only choice.
- You can integrate the OBA Fund Folio with existing OBA recommendations or run it entirely as a standalone.
- You can get started any time you like.

# INTRODUCING THE OBA FUND FOLIO




*Past performance does not guarantee future results. All investing involves risk of loss.*
*Data: Yahoo!Finance, Google, Bloomberg. Through 06/28/21*

Please note that the model itself represents hypothetical investment results drawn from actual stock, fund and ETF returns. It's not cherry-picked in any way, shape, or form.[1]

With that, I've said my piece.

It's your money and your responsibility. I've always believed anybody can be a fabulously successful investor or trader with access to the right tools, the right information, and the right education.

I simply want to help you get where you want to go. You deserve it!

KF

## FAQ's

### Q – Why now?

Because I like to keep my word!

I promised you last January that I'd roll out a fund-focused version of One Bar Ahead™ to replace the very popular 26(f) and 50-40-10 model portfolios I created at my former publisher. And which proved to be immensely popular.

We've upgraded the research considerably and, in doing so, made some dramatic changes that could result in even better performance with less risk if everything goes according to plan.

### Q – I thought you "hated" funds?

Not true. I dislike funds that give no consideration to investment selection because they're like throwing pasta against the wall just to see what sticks. I have always advocated the right funds with the right focus especially when they're tapped into the biggest trends of our time (i.e. the "5D's").

### Q – But I'm diversified. I have this covered … don't I??!!

Glad you asked!

Playing to win is a vastly different proposition than playing not to lose.

The OBA Fund Folio is designed to help you do the former while Wall Street's diversification models are oriented around the latter using a concept called Modern Portfolio Theory ("MPT").

Not to get too technical, but this is important.

Increasingly severe and frequent market shocks have created a new form of asymmetric volatility that Modern Portfolio Theory (MPT) – long a backbone to investing - is completely ill-equipped to deal with.

Returns have stalled across the board and correlated risk now stands at previously unfathomable levels rendering classic diversification thinking all but moot. If not completely broken.

For the first time in their investing lives, many folks I talk with are more concerned with the risk of "losing it all" rather than merely diversifying their portfolios. Others bluntly question why their portfolios aren't "keeping up."

Wall Street, of course, is trying to compensate by adding increasingly obscure assets to the mix in an effort to boost diversification but they're barking up the wrong tree.

# INTRODUCING THE OBA FUND FOLIO

The key is not further de-correlation but concentration, something you've heard me talk about a lot.

This is nearly unthinkable for many long-time practitioners, investors, and traders alike, many of whom are so heavily invested in MPT (and, by implication, so close to the problem) that they are incapable changing their behavior. Yet, that's exactly what must happen.

It's time to stop thinking in terms of diversification and start thinking in terms of trends like the 5Ds.

Today's markets are radically different than they were in 1952 when Markowitz introduced MPT, not only in terms of structure and sophistication but also in terms of how they reply to stimuli like the Fed, rising rates, China, political gamesmanship and more.

MPT is inherently slow to respond to rapidly changing market conditions and the volatility that comes with it. This, in turn, means investors using it are being exposed to far higher levels of risk than anticipated or commonly understood.

While the situation is typically thought of in terms of downside risk, this also means that their portfolios are missing valuable wealth-building potential. They can't capture the "upside" – a term that will become self-evident in a moment.

Wall Street is understandably hesitant to let go because "diversification" makes explaining the unexplainable easy and growing assets under management even easier.

The online investing community can't wrap their heads around this either which is why there are dozens of free "diversification" tools built into many of the most popular investing platforms and apps.

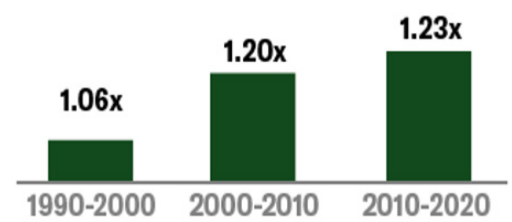
Investors, meanwhile, are bombarded with messaging that the markets are efficient, and that diversification is the key to higher returns and to sidestepping financial angst. Only it is not true.

Markowitz's work assumed what is called parametric distribution. That was great in 1952 but does not apply in today's world at a time when the markets are highly skewed. Not parametric.

Practically speaking, there are distinct differences in how assets respond in up and down-market conditions thanks to a witch's brew of computerization, leverage and the rapid rise of derivatives markets.

MPT does not account for these distinct differences in asset response, which means that classically defensive positions in a "properly diversified" portfolio may actually create worse performance over time. This is particularly significant during bull markets when outperformance should be evident if volatility truly exists as Markowitz defined it.

**Capturing Alpha**




| | 1990-2000 | 2000-2010 | 2010-2020 |
|---|---|---|---|
| Up Market Capture Ratio | 82% | 66% | 84% |
| Down Market Capture Ratio | 78% | 55% | 68% |
| **Up/Down Capture Ratio** | **1.06** | **1.20** | **1.23** |

Low Volatility research portfolios are formed by selecting the bottom 30% of securities ranked by trailing 1 year daily volatility. Research portfolios are capitalization weighted and rebalanced quarterly.

Source: Northern Trust Quantitative Research, FactSet. Russell 1000 Universe, 12/31/1989 through 12/31/2019
For illustrative purposes only. Past performance is no guarantee of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

*Northern Trust Quantitative Research, for example, shows that the Up/Down Capture Ratio has jumped from 1.06 for the decade 1990-2000 to 1.23 for the decade 2010-2020.*

The implication is as biting as it is clear - so-called "low volatility" portfolios being managed to specific risk levels under the guise of diversification cannot keep up because managing to variance fails to account for the different capture rates required by asymmetric skew.

Any investor who understands this has a huge advantage over those who don't. The OBA Fund Folio is built expressly with this in mind.

# INTRODUCING THE OBA FUND FOLIO

**Q – My retirement plan doesn't offer exactly the funds you've specified. Can I still use it?**

Yes. I've spent a lot of time and burned quite a bit of midnight oil to arrive at the funds and stocks we've picked.

My goal is to make sure the portfolio is as widely available as I can make it but also offer specific stocks with very defined, very distinct electronic "signatures" that concentrate on the 5Ds, each of which is backed by trillions of dollars. At the same time, I want to protect against risk even as we pursue upside profit potential.

You should be able to get "close enough for government work" as the old expression goes.

**Q – Why not start a One Bar Ahead fund? ™**

Stay tuned 😊

**Q - My broker says the Vanguard Wellington is closed. Are there alternatives?**

That's not quite correct. The Wellington Fund remains open to existing Vanguard clients but closed to new financial advisors and institutional clients.

I've recommended VWELX for years so I continue to include it for those who have followed along.

Alternatively, consider the Vanguard US Quality Factor ETF (VFQY) and the Vanguard Total Bond Market ETF (BND). Putting 21% in the former and 11% in the latter matches up nicely.

## How to use this

The OBA Fund Folio is structured for minimal interaction, with only an annual rebalancing required.

I suggest you pick an easy to remember date or one that you will use consistently. Birthdays, anniverseries, or even 4/20 if you're into that sort of thing. The first day of every New Year works great, too.

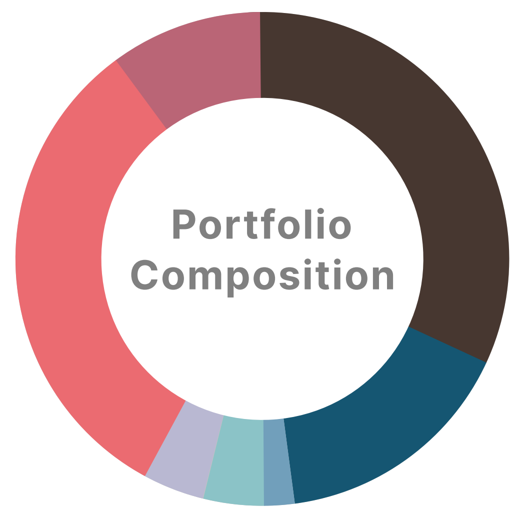
It's up to you.

Then, take divide the money you're investing and divide it based on each suggested holding.

For example, if you've got $20,000 to invest, put 32% of that in the Vanguard Wellington Fund (VWELX), 16% in the Pimco Strategic Income Fund (RCS) and so on.

If you're just starting out, buy the Foundation Stones first, then the Global Growth, then the Zingers - in that order.

Doing so maximizes upside capture but minimizes risk at the same time.




| Foundation Stones | PORTFOLIO WEIGHT |
|---|---|
| Vanguard Wellington Fund (VWELX) | 32% |
| Pimco Strategic Income Fund (RCS) | 16% |
| SPDR Gold Trust (GLD) | 2% |

| Global Growth and Income | |
|---|---|
| BlackRock Science and Technology Fund (BST) | 32% |
| Pfizer Inc. (PFE) | 4% |
| Altria Group Inc. (MO) | 4% |

| Zingers | |
|---|---|
| BlackRock Science and Technology Fund (BSTZ) | 10% |

# ABOUT THE HOLDINGS

## Vanguard Wellington Fund (VWELX)

**Mutual Fund**

**32%**

Founded in 1929, Wellington™ Fund is Vanguard's oldest mutual fund and the nation's oldest balanced fund.

The fund invests 60% to 70% of its assets in dividend-paying and, to a lesser extent, non-dividend paying common stocks of established large companies.

The remaining 30-40% are invested in fixed income securities which include investment-grade corporate bonds, US Treasuries, and government agency bonds.

Yield: 1.74%

## Pimco Strategic Income Fund (RCS)

**Closed End Fund (CEF)**

**16%**

Offered by fixed income giant Pimco, RCS is a fantastic way to earn a solid income from a full range of fixed income sectors.

The fund normally invests at least 80% of its net assets in a combination of income-producing securities of non-corporate issuers, such as securities issued by the U.S. or foreign governments, mortgage-related and other asset-backed securities issued on a public or private basis, corporate debt obligations, and other income-producing securities of varying maturities.

Yield: 7.4%

## SPDR Gold Trust (GLD)

**Exchange-Traded Fund (ETF)**

**2%**

GLD offers investors an innovative, relatively cost-efficient and secure way to access the gold market. Originally listed on the New York Stock Exchange in November 2004, and traded on NYSE Arca since December 13, 2007, SPDR® Gold Shares is the largest physically backed gold exchange traded fund (ETF) in the world.

This fund is designed to reflect the performance of the price of gold bullion, less expenses.

Yield: --

## Pfizer Inc. (PFE)

**Stock**

**4%**

Pfizer Inc. discovers, develops, manufactures, markets, distributes, and sells biopharmaceutical products worldwide. It offers a highly diverse set of drugs that each bring in billions in revenue and a consistent dividend.

Most recently, the company successfully produced a highly effective COVID-19 vaccination which alone is estimated to bring in $20-25 billion a year but which could ultimately top $35 billion.

Yield: 3.99%

# ABOUT THE HOLDINGS

## Altria Group Inc. (MO)

**Stock**

**4%**

Altria Group, Inc. is an American corporation and one of the world's largest producers and marketers of tobacco, cigarettes and related products. It operates worldwide and is headquartered in unincorporated Henrico County, Virginia, just outside the city of Richmond, VA.

Altria has paid out $27 billion in dividends from 2016-2020, and is on track to continue growing for the forseeable future.

Yield: 7.29%

## BlackRock Science and Technology Trust (BST)

**Closed End Fund (CEF)**

**32%**

BST will invest at least 80% of its total assets in equity securities issued by U.S. and non-U.S. science and technology companies in any market capitalization range, selected for their rapid and sustainable growth potential from the development, advancement and use of science and/or technology.

Unlike its sibling BSTZ, BST is more focused on large-cap technology stocks. Names you may recognize include Apple, Microsoft, etc.

Yield: 4.65%

## BlackRock Science and Technology Trust II (BSTZ)

**Closed End Fund (CEF)**

**10%**

The Trust will invest at least 80% of total assets in equity securities selected for their rapid and sustainable growth potential from the development, advancement and use of science and/or technology. The fund also seeks to invest up to 25% in private companies.

It is the best way to get exposure to small cap companies that are growing rapidly AND benefit from going public as they grow.

Yield: 4.94%

## Got questions?

Please send any questions to info@onebarahead.com.

Please note that we will be including the OBA Fund Folio in upcoming educational cohorts later this year.

**All descriptions adapted from publicly available sources including Yahoo!Finance, company documents and SEC filings.

**Past performance does not guarantee future results. All investments involve risk of loss.

# THE SURPRISING TRUTH ABOUT TRAILING STOPS

Bigger profit potential, less risk, and more fun!

# TRAILING STOPS DONE RIGHT

It doesn't matter whether you're a seasoned pro or a newly minted beginner.

What I am about to tell you regarding trailing stops could mean the difference between huge profits that will put you and your money on the path to easy street, or massive losses from which you'll never recover.

There's no middle ground.

## The truth about trailing stops

If you've followed my research or seen me speak at seminars around the world over the years, you know I am a huge fan of "trailing stops."

Just not like people think.

"Trailing stops" in case you are not familiar with the term, are orders investors and traders place to limit losses … or at least that that's how most folks think about 'em, anyway.

Technically speaking, trailing stops are limit orders that track stock, bond, option, or ETF prices as they move higher. But, critically, if there's a reversal – meaning a change in direction - those same orders are never moved lower.

Trailing stops used to be a real challenge and, frankly, that was an excuse not to use them.

Back in the day, I had to call my broker regularly and run through a list of orders that I wanted placed as well as the conditions under which I wanted 'em triggered.

I even carried a tiny spiralbound notepad in my pocket to keep track of everything and used various coloured highlighters to track orders had been filled, which orders were still outstanding and so on.

Things couldn't be more different today.

The Internet and smart phones ensure we're connected at all times. Many apps and brokerage platforms have built in alerts, text messaging and more. There's really no excuse for not using trailing stops in my mind.

*Trailing stops can be very effective safety nets*

Trailing stops are typically set in one of two ways using percentage terms or absolute dollar amounts. For example, I often suggest a 25% trailing stop as a rule of thumb but there's nothing wrong with setting trailing stops at 5-10% or even 75% if that fits with your situation. Adjusting them periodically is cool, too.

Trailing stops can even be used to enter short positions by creating a trailing stop above current prices – which is a neat little trick we'll talk about another time.

That's *not* the real magic, however.

Trailing stops are one of the most powerful *profit* creators available to individual investors today.

I'm bringing this up because I've received more than a few emails, calls, and notes from members of the One Bar Ahead™ Family who are concerned that the markets could rollover later this summer.

The markets have come roaring off the Covid-19 bottom set in March 2020 as I suggested they would and – chances are – that means you've got some pretty substantial profits to protect.

Most investors don't think this way but arguably they should because doing so can dramatically increase your profit potential.

That's not even the best part, though!

Using trailing stops consistently can help you:

1. Sleep well at night without worrying about what happens next;

2. Place your orders ahead of time confidently and precisely; and,

3. Profit "automatically," even if you're away from your computer or don't have access to your smartphone without the risk of blowing up your retirement.

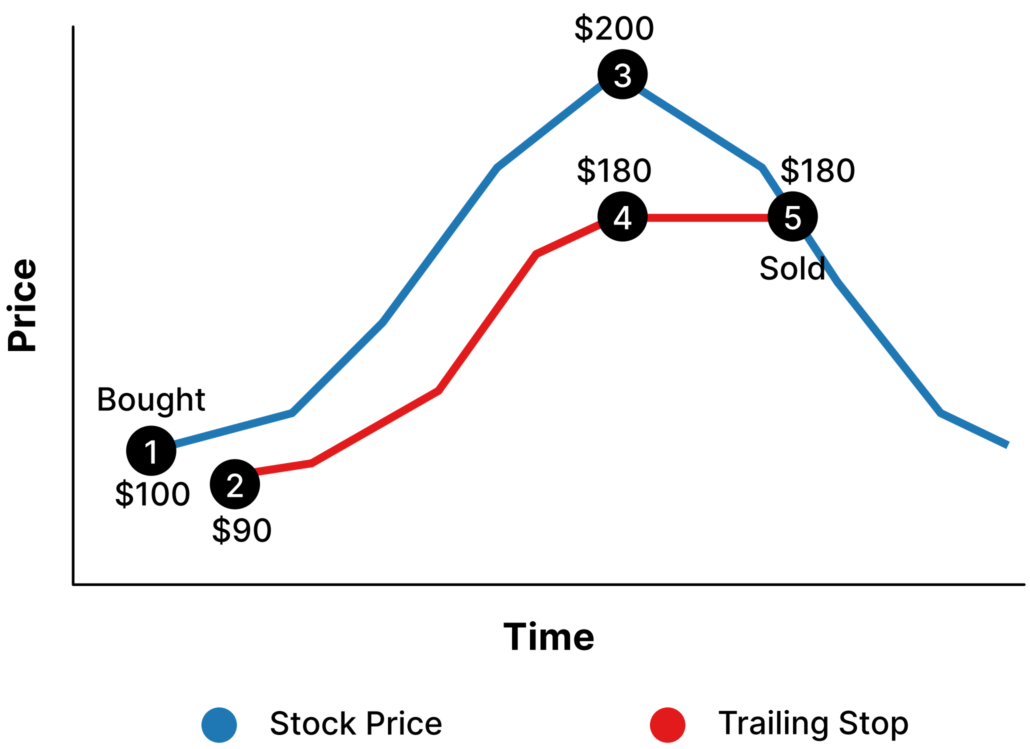
Trailing stops are great for people who travel frequently or who simply don't want to sit in front of a screen all day. Like ... me!

What's more, trailing stops can mean the difference between watching your 401k turn into a 201k (again) or making any market reversal incredibly profitable.

Bottom line ... trailing stops can go a long way towards helping you make money through thick and thin, year in and year out. They're also a great way to get emotions that would otherwise impede success out of the way!

## Here's an example

Imagine you're interested in XYZ because your analysis suggests the stock is poised to pop.




1. You buy at $100
2. However, you fear that the Fed may introduce rate hike fears that cause the markets to rollover by 5% or so. You don't want to get bounced out too early, though, because your analysis still suggests upside potential. So, you place a trailing stop at $90, or -10% lower to give yourself some extra wiggle room just in case. Then,
3. XYZ stock does rise, ultimately going up to $200 before selling off.
4. At the same time, your trailing stop has followed the stock up nicely, and is sitting at -10% from the peak, or $180. Other investors and traders panic, but you're cool as a proverbial cucumber because you've thought ahead and are prepared.
5. Eventually, prices drop all the way to your trailing stop at $180 and you unload some or all your shares at a $80/per share profit, excluding fees and commissions, of course.

Laughing all the way to the bank in a situation like this is optional.

Critics, of course, will tell you trailing stops "don't work" because the pros will pick 'em off, that you'll miss big profits by getting "stopped out" of a trade prematurely or that they're impossible to manage in today's markets.

That's usually a load of hooey.

More often than not, I find that's simply sour grapes... because those who tend to poo-hoo trailing stops (I've learned through more than one conversation) have gotten burned for having not used 'em at some point in their investing career. So, they think nobody else should.

The uncomfortable truth for naysayers is that trailing stops work. What's more, study after study after study shows that.

The following two are particularly readable and clear which is why I encourage you to read 'em both.

- A 2008 paper by Kathryn Kaminski and Andrew Lo from the Massachusetts Institute of Technology found that a simple 10% stop loss allowed funds invested in the stock market to produce higher returns than bonds 70% of the time during the entire 54-year period studied from January 1950 to December 2004, including, most significantly, the Internet Bubble.

- Yufeng Han, Guofu Zhou and Yingzi Zhu of the University of Colorado, Washington University and Tsinghua University respectively found that simple momentum strategies based on a simple 10% loss and applied over the 85 year period from January 1926 to December 2011 for all US-listed companies on the NYSE, AMEX and Nasdaq exchanges decreased losses from 65.34% to 23.69%. More significantly, profits increased by 71.3% monthly while volatility dropped by 23%.

I've heard a very dangerous variation making the rounds lately, though. So-called "mental stops."

The idea is that investors and traders using 'em will mentally keep track of the trailing stops they'd otherwise place online or with their brokers to protect their investments.

Proponents claim that so-called "mental stops" are more flexible and that they don't cause you to automatically get kicked out of trades that are experiencing some short-term volatility and they cannot be picked off by pros looking to separate them from their money.

Good luck with that!

Mental stops assume that an investor will have the skill, discipline, and concentration to execute orders at all times, including during fast-moving, emotionally charged trading conditions. Most do not.

Usually, this backfires and results in poor execution or downright wishy-washy decision making. And that's assuming the investor is actually in a position to place a trade!

*Mental stops are great.... until you're away from your computer, make emotional decisions, or panic.*

The seldom-discussed but very unpleasant reality is that you cannot protect your investments if you are away from your computer, haven't entered your orders ahead of time, or have no means of doing so while you're at the beach, on a boat, travelling, or otherwise living life. Not to mention, smartphones fail at the most inopportune times.

Trailing stops, trailing stop losses – whatever you want to call 'em - are an important safety net that ensures you are constantly taking profits whenever possible while protecting against losses that could otherwise blow up your retirement.

Period.

## 5 types of trailing stops

**$ Based**

This is the simplest and easiest type of trailing stop. Imagine buying ABC for $100 a share and having a $10 trailing stop set a $90 per share. If ABC rises, your trailing stop goes up in lockstep but importantly, is never lowered.

So, for example, if ABC rises to $140, your $10 trailing stop would then be $130. If the price drops below $130 for any reason, you exit the position.

### % Based

This is very similar to the $ - based variety. Imagine buying ABC for $100 a share and having a 25% stop loss. If the price rises, your trailing stop also goes up in lockstep. At $140, your trailing stop would be $105.

The tradeoff is that your initial exposure is higher, at $75 a share versus $90 in the prior example. However, this often works really well on more expensive stocks where bigger dollar moves are possible.

### Momentum Based

This is a nuance using technical or fundamental criteria instead of $-based or %-based trailing stops we've just talked about.

In this instance, trailing stops are constantly adjusted using moving averages, support and resistance or other technical indicators.

Fundamental data works, too. You could even set a trailing stop based on PE Ratios, the Piotroski Score or some other measure related to valuation, for example.

Some platforms will even allow you to combine fundamental and technical data to arrive at what are called "conditional trailing stops" that can trigger if any number of factors come into play.

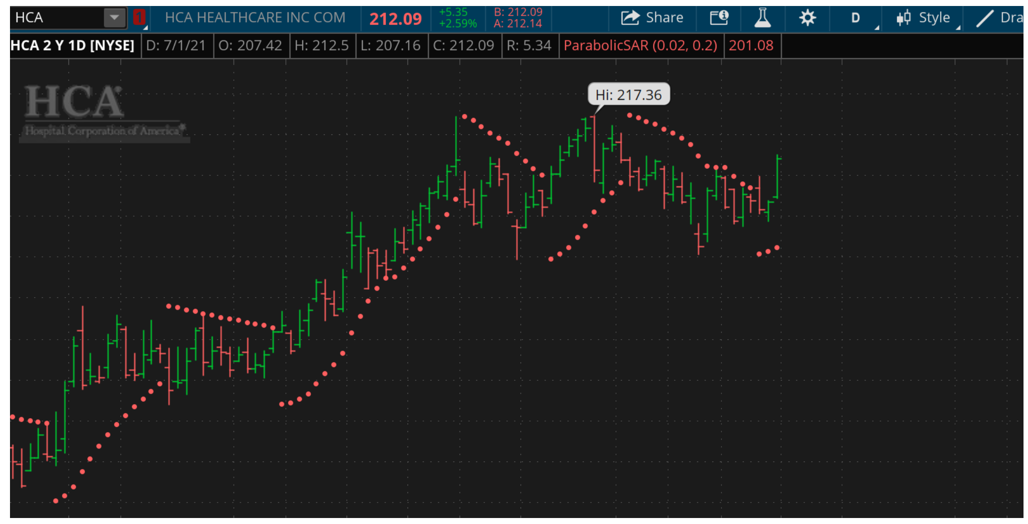
This sounds sophisticated but it's really nothing more than a series of "if then" statements.

### Parabolic Stop & Reverse

The parabolic stop and reverse (SAR) is a more technical approach pioneered by J. Wells Wilder in the 1970's.

The indicator typically appears as a series of dots and is built into many trading/charting packages. Dots appear under prices and converge toward price during an uptrend and vice versa during a downtrend.

The SAR is typically calculated one period in advance using current data. If the SAR value is inside or beyond the next period's range, the indicator signals a new trend direction.




*The parabolic stop and reverse (SAR) looks something like this, and works best in trending markets.*

In contrast to other trailing stop methods, the parabolic SAR moves even if prices flatten out. This is a critical distinction because the SAR works most effectively in trending markets but can cause excessive entries and exits when there is considerable chop.

### Value at Risk

Value at Risk (VAR) typically has three components: time, confidence, and losses that can be either dollar or percentage based.

VAR answers the question "how much can I really lose?" in a given timeframe if the stuff hits the fan. You and I both know the answer is everything but I'm including VAR to give you a sense of how many big-money traders think.

VAR is typically used to measure portfolio risk but can be applied to individual stocks or indices, too. It's most commonly calculated using one of three methods:  historic volatility, covariance analysis, or Monte Carlo simulation.

The output is what's called a "confidence statement" as in a trader or investor is 95% confident they will lose no more than X% of Y$ within any given period.

If you're a glutton for punishment or a code junkie like I am, this site has a great model for you to play with and the code needed to do it.

**www.interviewqs.com/blog/value-at-risk**

**Stops on Options**

I get asked about this frequently; there are definitely pros and cons.

Price-based stops have a much higher chance of being hit with options than they do with stocks. That's because options prices can be considerably more volatile and less liquid, especially at the open and close.

Percentage-based stops on options often have the same issue but the impact is very different because any change in price can magnify volatility in an instant.

If you've ever checked your portfolio and seen an absurd quote, for instance, that's exactly the kind of "drift" I'm talking about.

I generally don't advocate stops on options unless I am dealing with long term equity anticipation securities (LEAPs) or have other trade management objectives.

Instead, I prefer to control risks based on how the underlying stocks driving options prices are moving.

This isn't a perfect solution by any stretch of the imagination but my experience has been that doing so makes it less likely that I get bounced out of a trade or an investment early. It also helps minimize the consequences of an early trigger.

The tradeoff, of course, is that you have to pay a bit more attention but that's never a bad thing in my book. Especially with options!

**At the end of the day, the bottom line is super simple - there is NO wrong way to use trailing stops.**

It can take a while to develop your "feel" for which types work best, how you'll set 'em and at what levels but that's really a matter of practice.

Using trailing stops consistently is what counts.

KF

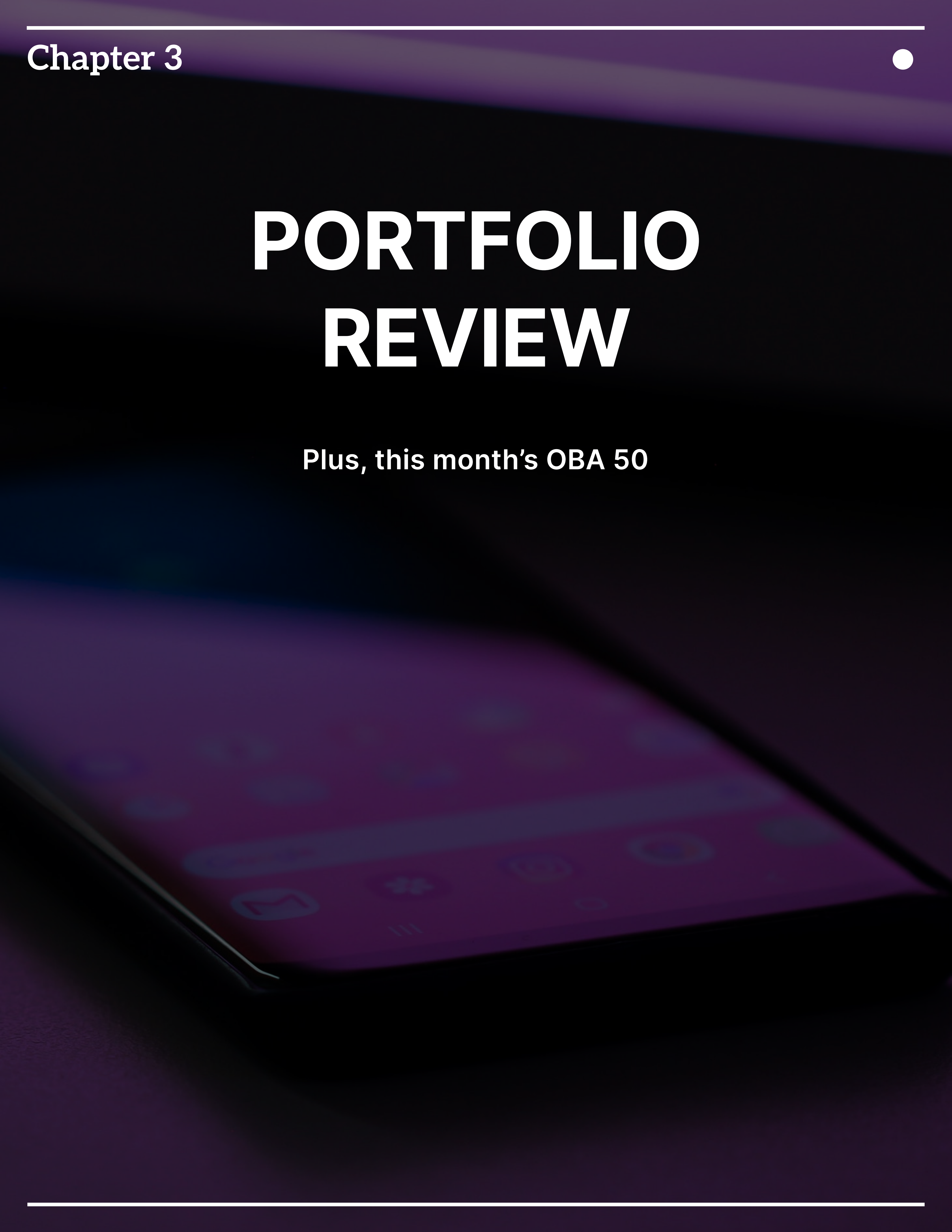

# Tell us what you think of the magazine!

**Have you tried any of the techniques and tactics from previous issues, or have you learned something new? Made a great buy? Discovered a new stock or fund? Tried Noriko's recipes? Started travelling again?**

# Drop us a line at

**magazine@onebarahead.com**

**If you have pictures send 'em along!**



Chapter 3

# PORTFOLIO REVIEW

Plus, this month's OBA 50

# PORTFOLIO REVIEW (JULY 2021)

Inflation is on a tear, but the markets don't appear to mind as long as the Fed stays on the sidelines. Traders seem to think that the Fed won't "do" anything until mid-2022 but I think the real risk arrives later this year when the numbers push J. Powell into a corner.

Meanwhile, we're going to continue to build positions in the world's best companies using a combination of offensive plays that can keep our money growing faster than the rate of inflation and defensive plays that will help protect our capital when the Fed ultimately does make its move.

Millions of people are understandably worried, and I can't say I blame them. These are unsettling times. Between politics, the Fed, China's next move and more, there's a lot to fret about.

Which brings up an important point.

The vast majority of people yearn for the way things were and are totally oblivious to the impact the future is already having on their money.

Thankfully, this is a problem we do NOT have.

The 5Ds will see to that. Every one of 'em - Diffusion, Distribution, Dislocation, Defense and, of course, the biggest of them all, Digitalisation – is backed by trillions of dollars that will get spent no matter what during the years ahead.

Staying focused maximizes profit potential and, at the same time, minimizes risk!

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## Foundation Stones (50%)

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 because the emphasis is on fundamental underpinnings.

## Global Growth & Income (40%)

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 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 (10%)

This category is home to the most speculative choices and will account for roughly 10% of 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 is digging deeper into primary-care medical services. Team Cook is testing things, having taken over clinics that serve its employees and building a team that employs a cross-disciplinary group of clinicians, engineers, and product designers.

I think the company wants to own Diagnosis as a Service, a term Kuni recently coined ("DaaS") and which I think is entirely spot on. Anybody waiting to buy Apple is making a big mistake.

The "medical pivot" we've been talking about for years is well underway and yet, inexplicably, still off the radar for most folks who still can't get over the notion that iPhones are the do-all, end-all.

Services are growing at roughly 20% a year and the medical market in the United States alone is 3-5X the global iPhone market. With 660 million paid subscribers already part of the Apple ecosystem (of which 145 million came in the last year alone) a 1 billion+ paid subscriber base by 2025 is not out of question.

Factor in DaaS and I think the stock is good for a double by then. Oh, and I think Q4 is going to be a knockout because iPhone 12 delays inadvertently set a very low bar for the next upgrade cycle.

Yield is 0.66%.

Price target: $200 by next summer. That implies a market capitalization of $3.3 trillion and, I think, is entirely achievable as long as the Fed keeps the spigots on.

**JPMorgan Chase (JPM)** - JPMorgan reports Q2 earnings on July 13th and I think the results are going to be stunning. Q2 estimates average $3.09 per share which normally would not make sense given Q1 performance but let's not forget JPM is sitting on $1.51 TRILLION dollars of CASH or roughly $500 per share.

The bank passed recent stress tests with flying colors and CEO Jamie Dimon is at the very top of his game. Not surprisingly under his leadership, JPM has a stellar balance sheet and well diversified revenues that keep it ahead of the competition both literally and figuratively.

I am particularly partial to the fact that stock is up 22.39% year to date yet retains an incredibly attractive PE ratio of just 12.23 and a price-to-book ratio of 1.87.

Yield is 2.34%.

Price target: $200 by year end 2021.

**Microsoft (MSFT)** - Microsoft recently hit a market capitalization of $2 trillion and, in doing so, joined a very exclusive club. I've seen a number of people debating which is the better buy between Apple or Microsoft, and that's an academic debate at best. Owning both is key.

The company is expected to report 16% Q2 sales growth with profits expected to rise from $5.76 in 2020 to $7.77 according to Yahoo! Finance and FactSet data as of press time. I think the figures could be dramatically higher.

The company just released Windows 11 and I think that'll kick off a related series of upgrades and still more $$. Not for nothing, but CEO Satya Nadella made a point of highlighting a new Windows app store that allows developers to keep 100% of the revenues from sales of their apps. A bow shot for Apple if I've ever seen one!

Technically speaking, volume is lightening up at a time when the company's 200-day moving average has a positive slope. This speaks to fresh highs on the way because there's less resistance to the move.

MSFT could be a great safe harbor for any mid-summer taper tantrum if not a safe port in the storm.

Yield is 0.85%.

Price target: $300 within the next 12-24 months or sooner.

## Global Growth and Income (40%)

**BlackRock Science and Technology Trust (BSTZ)** - I am incredibly pleased with BSTZ's performance, especially as technology comes back to the forefront. BSTZ has notable positions in SambaNova, Marvell Technology, Snap, and Tesla so I'd be concerned if higher prices were not happening!

At the same time, I'm thrilled to see management making key investments in AI, eCommerce and even a deep learning AI-driven cybersecurity platform. Management, notably, has also participated in several follow-on funding rounds for existing investments. I am particularly keen on learning more about an investment in a geostationary satellite company with plans to deliver more bandwidth from higher orbits than commonly in use today.

Meanwhile, yield remains an attractive 5.02% according to Yahoo! Finance. Do not forget that BSTZ also utilizes covered calls to boost yield and current income just like we do! It's a great alternative if you'd like to sell covered calls but lack the skills or the confidence to do so.

Price target: $55

**General Mills, Inc. (GIS)** - Wall Street analysts are expecting a year over year decline in earnings when GIS reports for Q2 results based on dropping YoY demand. Revenue expectations are just $4.3 billion on average but I think there's a mismatch brewing.

The company continues to reorganize, can defend margins, and has plenty of pricing power to combat rising inflation.

Beta, a key measure of stock price volatility, is just 0.55 which means that it is nearly half as volatile as the broader markets. I plan on using this to our advantage later this year and am keen to assemble positions now while most people are looking the other direction.

Yield is 3.45%.

Price target: $70 by year end which doesn't sound like a lot until you begin enjoying the stability and peace of mind it'll bring if things get more volatile as expected.

**Gilead Sciences, Inc. (GILD)** - Analysts expect YoY growth of 56.76% and nearly 20% growth from prior quarterly results. I think it could be 60% or higher and that we could see 20-25% growth.

The company's PEG ratio is just 0.61 which suggests significant value versus expected earnings at current prices; anything under 1.0 is considered advantageous.

GILD recently announced interim results from Phase 2B and Phase 3 clinical trials for a new hepatitis delta virus. I think it could be a game-changer for people living with chronic HDV and liver disease because the treatments could dramatically reduce cirrhosis, hepatic decompensation, and associated liver-related cancers.

The company also announced data from three real-world data sets showing Covid-19 patients treated with Veklury (formerly remdesivir) had significantly reduced mortality risk. I think the data will boost sales in India and South America where emerging variants are still on the uptake and still creating havoc.

Yield is 4.23%

Price target: $88

**McDonald's Corporation (MCD)** - The company is launching a loyalty program nationwide in July; this is valuable linkage to the app which already has 20 million active users. Kiosks have also shown to be 85% more accurate than human clerks and, combined with the fact that people tend to order more from kiosks, there are massive efficiency gains to be had. Unit sales may jump 5-10% for every outlet that gets on board. Critically, profits may increase by 10-20% or roughly 2X faster.

The macro picture is outstanding. Restaurant spending has surpassed grocery spending for the first time since spring 2020 and is growing nearly 50% faster according to the US Census Bureau. Restaurant spending also passed pre-pandemic levels by 6% according to a report from Mastercard.

The company reports at the end of the month and any pullback is a buying opportunity. Like GIS, MCD is at once both an offensive and defensive play.

Beta is just 0.63 which means the company should demonstrate plenty of stability if there is a taper-tantrum as expected.

Yield, meanwhile, remains an attractive 2.21%.

Price target: $270

**Palantir Technologies Inc (PLTR)** - Admittedly, I am super glad to see the company "waking up" in recent weeks. It's been a far longer-slog in the trenches than I would have liked.

Palantir has recently won several key contracts including one-year $18.4 million Federal Aviation Administration (FAA) contract to provide a data analytics tool to drive the agency's aviation safety modernization objectives, a $7.4 million contract with the CDC, and a $111 million contract with the US Special Operations Command.

I'm also particularly excited to see the new partnership between Palantir and DataRobot which is being created to model demand forecasting challenges associated with supply chain management, consumer demand, and shipping logistics. All have changed radically over the past 12 months because of the pandemic. Outdated models just can't cut it any longer in a world where the need for dynamic management is extremely urgent.

There is no yield.

Price target: $50 within 12 months; $100 a share in five years or less.

**Waste Management, Inc. (WM)** - Trash is definitely cash. The company's stock has accelerated nicely since I recommended it. Current quarter earnings are widely expected to be 14% or so but I think we could see 20% or more. Incidentally, that's more than double its next largest competitor, Republic Services if my data is correct.

Beta is 0.80 so it's also adding plenty of stability and upside capture, as intended.

Yield is 1.66%.

Price target: $160

**Visa Inc. (V)** - Digital payments could hit nearly $7 trillion in 2021 which would be a 40% or more jump over the past 24 months if it happens. Mobile payments, meanwhile, may hit $4.6T by 2025.

The company recently purchased Sweden-based Tink for $2.1 billion as it continues the market towards open banking. In contrast to the contested anti-trust concerns that forced Visa to abandon its planned $5.3 billion purchase of Plaid, this deal is expected to placate EU regulators keen to see European fintech innovation.

Yield is 0.55%.

Price target: $260 by year end, which may be low (but I'm working on that!)

## Zingers (10%)

**Affirm Holdings, Inc. (AFRM) -** The market is simply not paying enough attention to this stock. The buy now, pay later model is going to play an increasingly significant role in the months ahead.

Shopify recently inked a deal with Affirm to provide installment payment services on its platform (which hosts over 1 million businesses). Customers will be able to split payments into four equal installments, interest free with no fees. The deal expands a more limited relationship already in place and is powerful confirmation we're on the right track even if the markets don't yet recognize the potential.

Interestingly, Mizuho agrees with our assessment and recently slapped a $90 target on shares. It's nice to have company especially when you consider we've had the same target for a while now.

Hold.

**BridgeBio Pharma Inc. (BBIO) -** Not a lot has changed since I last wrote to you about BBIO. The company now has 7 drugs in Phase 1, 2 and 3 testing.

One, NULIBRY, is now commercially available. BBIO has a further 8 drugs in pre-clinical testing as well as gene therapy across 30 development programs. Not bad for a company that was started in 2015!

Hold.

Price target: $85.

**Schrodinger Inc. (SDGR)** - SDGR posted earnings in June that reflected a 44.19% jump and the stock immediately traded higher. I love the physics-based model the company uses to discover novel molecules and new treatments but am concerned that the trading action doesn't match up to the company's promise.

Sell to exit at $80 or more GTC ("Good till Cancelled"). Or, use covered calls at $80 to accomplish the same thing. We'll exit at a small profit if possible and move on to greener pastures.

**Tesla Inc. (TSLA)** - The company is hard to wrap your mind around; there's simply so much going on.

Notably, TSLA continues to break away from the crypto spotlight especially with the news that the Tesla Model 3 took the #1 and the Model Y took the #3 spot on the Cars.com American-Made Index for 2021.

In addition, Tesla announced that it is launching "Tesla Energy," its energy division in China, starting with the Powerwall home battery pack. China has become Tesla's biggest market outside of the US, and it is growing fast for its electric vehicles. Tesla's first solar charging/storage station is destined for Tibet where the power grid is fueled primarily by coal.

Meanwhile in Norway, the company is allowing other customers with non-Tesla cars to use Tesla Superchargers. Some analysts are concerned that this is a sign of weakness but they're sadly mistaken. Tesla will do the same thing worldwide and, in doing so, create a totally new revenue stream that is, as of yet, unrecognized by the broader markets.

EPS may double this year and jump by nearly 50% a year for the next 5 years if I'm correct.

There is no yield.

Price target: $1,000 a share next 12-24 months

**Tencent Holdings ADR (TCEHY)** - There are undeniable risks associated with this stock, not the least of which is a delisting and a hostile US government investigation that could start at any time. However, this is also one of the only choices available at the moment that gives us access inside China to the digital Yuan.

The company's WeChat super app is not under pressure from Chinese regulators and appears to be thriving. It's increasingly viewed as a "public utility" according to my sources which is key because that's a Chinese translation that it's demonstrating value to Beijing rather than being seen as a threat.

Tencent will be volatile, but the payoff could be enormous if things play out as I outlined last month.

I'm encouraged that CEO Pony Ma is playing along with Beijing and, as a result, is being allowed to continue running his company. He's now China's 2nd richest man and, unlike Alibaba's Founder, Jack Ma, somebody who favors close government relations.

To paraphrase advice I received years ago while having dinner in the Chaoyang Business District, "keeping quiet will help you survive in China."

Literally.

There is no yield.

Buy under $80.

**Didi Global Inc ADR (DIDI)** - I recommended DIDI in a special inter-issue alert when it IPO'd on June 30th. The reasoning is simple: Didi has already beat Uber in China, is targeting 2nd and 3rd tier countries, and most importantly, is already profitable.

Didi also plans to use the IPO money for growth and has the implicit backing of Beijing, whereas Uber is facing significant regulatory challenges nearly everywhere it operates. Ride restrictions for carbon output reduction also works in this company's favor.

Expect shares to be volatile as the market stabilizes and determines a fair price.

Enter/add shares under $15.

## Cash Alternatives

**Bitcoin** - China's crackdown continues and the price per coin seems destined for lower levels as a result. I don't believe this is a coincidence. China wants the Yuan to replace the US Dollar as a global reserve and attacking bitcoin miners in that country clears the deck of competition. The digital Yuan is a direct competitor to bitcoin.

**Ethereum** - As you know, Ethereum is a blockchain platform with its own currency, Ether. Unlike Bitcoin, Ethereum has a programming language to construct so-called "smart contracts" that allow people to safely transfer money, property or other assets directly without a middleman. It's also the basis for non-fungible tokens and decentralized finance or "DeFi" for short.

I suggest an overall allocation of 0.5%-1% of investable assets between the two. However, in light of the ongoing shift in China, the move to digital Yuan and lower prices, I suggest you direct any new purchases to Ethereum exclusively until Bitcoin settles down a bit. That's, incidentally, a move seconded by CNBC's Jim Cramer.

Please note that these are the most speculative investments in the entire One Bar Ahead™ universe so please do NOT invest unless you have a high-risk tolerance and are investing ONLY money you can lose.

**SPECIAL ANNOUNCEMENT**

## Keep up with Keith... in person!

He'll be keynoting *in person* at the Las Vegas MoneyShow this September 12-14; so please hold the dates or make plans right now.

Attendance is FREE but space is limited.

**You can sign up for the show by going to MoneyShow.com**

You can also catch Keith at the upcoming virtual AAII New York Chapter meeting on Wednesday, July 7th. Sign up through the AAII website.

Keith will also be appearing at upcoming trading conferences and, of course, getting ready to roll out the One Bar Ahead™ school this fall. Details are still being worked out!

# PORTFOLIO REVIEW (JULY 2021)

## OBA Model Portfolio

**One Bar Ahead Model Portfolio** Data as of 07/01/2021

| | Stock | Recommended | Price at Entry | Current Price | Yield/Dist Rate | Profit/Loss | Stop Loss/TS | 12-24mo Target | Last Instruction |
|---|---|---|---|---|---|---|---|---|---|
| Foundation Stones | AAPL | 1/8/21 | $ 132.05 | $ 136.10 | 0.65% | 3.1% | 25% TS | $ 200.00 | Add below $130 |
| | JPM | 1/14/21 | $ 141.17 | $ 156.77 | 2.30% | 11.1% | $105 | $ 200.00 | Hold/add below $135 |
| | MSFT | 3/5/21 | $ 226.73 | $ 270.24 | 0.83% | 19.2% | 25% TS | $ 300.00 | Hold/add below $240 |
| Global Growth and Income | GILD | 1/11/21 | $ 62.51 | $ 68.82 | 4.15% | 10.1% | 25% TS | $ 88.00 | Hold/add below $60 |
| | PFE | 2/5/21 | $ 34.92 | $ 39.46 | 3.96% | 13.0% | 25% TS | $ 50.00 | Hold/add below $35 |
| | BSTZ | 2/5/21 | $ 39.31 | $ 41.50 | 4.89% | 5.6% | 25% TS | $ 55.00 | Add below $35 |
| | GIS | 6/4/21 | $ 63.72 | $ 60.60 | 3.38% | -4.9% | 25% TS | $ 70.00 | Buy/Add below $64 |
| | MCD | 6/4/21 | $ 231.69 | $ 231.37 | 2.23% | -0.1% | 25% TS | $ 270.00 | Buy/Add below $230 |
| | V | 4/7/21 | $ 219.27 | $ 234.97 | 0.54% | 7.2% | 25% TS | $ 260.00 | Buy/ Add below $212 |
| | WM | 4/7/21 | $ 132.41 | $ 141.48 | 1.63% | 6.8% | 25% TS | $ 160.00 | Buy/ Add below $130 |
| | PLTR | 1/8/21 | $ 25.20 | $ 25.02 | 0% | -0.7% | None | $ 50.00 | Add/Accumulate |
| Zingers | AFRM | 1/14/21 | $ 114.85 | $ 68.12 | 0% | -40.7% | None | $ 90.00 | HOLD |
| | TCEHY | 6/4/21 | $ 78.00 | $ 74.30 | 0% | -4.7% | 25% TS | NEW | Buy/Add below $80 |
| | TSLA | 5/7/21 | $ 672.37 | $ 680.67 | 0% | 1.2% | 25% TS | $ 1,000.00 | Add below $600 |
| | SDGR | 4/2/21 | $ 78.53 | $ 75.72 | 0% | -3.6% | None | $ 80.00 | Add below $68 |
| | DIDI | 7/1/21 | $ 15.00 | $ 16.19 | 0% | 7.9% | None | NEW | Buy at $15 or less |
| | BBIO | 3/5/21 | $ 62.52 | $ 62.24 | 0% | -0.5% | None | $ 85.00 | Add below $50 |
| Hedges/Inverse | SH | 2/1/21 | | $ 15.35 | 0.00% | | None | | HOLD |
| | RYURX | 2/1/21 | | $ 31.62 | 0.47% | | None | | HOLD |
| | UVXY | 2/1/21 | | $ 27.53 | 0% | | None | | Opportunistic |

## OBA 50

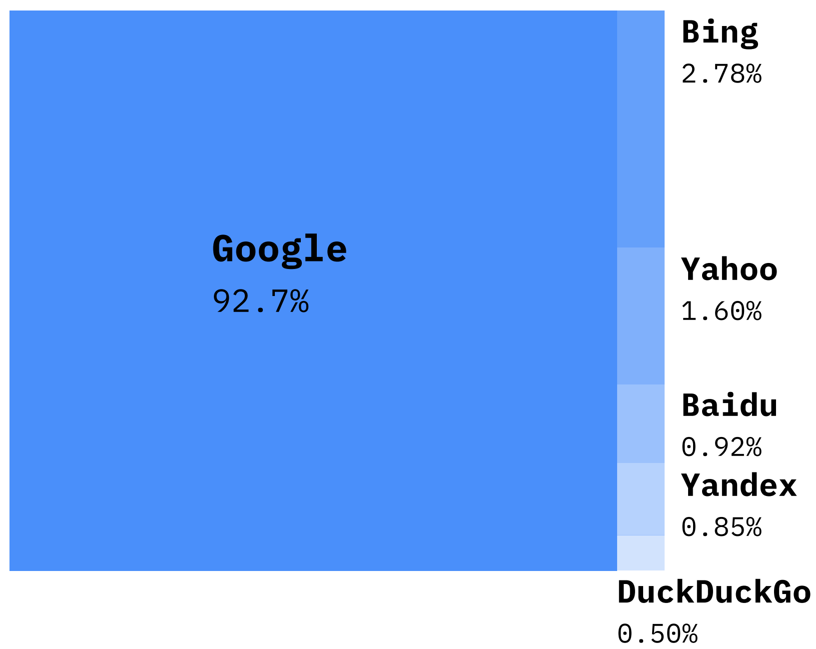
As of July 1, 2021

| Ticker | Name | Ticker | Name | Ticker | Name |
|---|---|---|---|---|---|
| AAPL | Apple Inc | GILD | Gilead Sciences Inc | QCOM | Qualcomm Inc |
| ADBE | Adobe Inc | GOOGL | Alphabet Inc | ROKU | Roku Inc |
| AFRM | Affirm Holdings Inc | JNJ | Johnson & Johnson | RTX | Raytheon Technologies Inc |
| AMAT | Applied Materials Inc | JPM | JPMorgan Chase & Co | SDGR | Schrodinger Inc |
| AMD | Advanced Micro Devices In | LOW | Lowes Companies Inc | SQ | Square Inc |
| AMZN | Amazon Com Inc | LRCX | Lam Research Corp | TCEHY | Tencent Holdings ADR |
| AVGO | Broadcom Inc | MA | Mastercard Inc | TGT | Target Corp |
| BBIO | BridgeBio Pharma Inc | MCD | McDonald's Corp | TMO | Thermo Fisher Scientific Inc |
| CAT | Caterpillar Inc | MRNA | Moderna Inc | TMUS | T-Mobile US Inc |
| CRWD | CrowdStrike Holdings Inc | MSFT | Microsoft Corp | TSLA | Tesla Inc |
| DE | Deere & Co | MU | Micron Technology Inc | TWLO | Twilio Inc |
| DHR | Danaher Corp | NOW | ServiceNow Inc | V | Visa Inc |
| DIS | Walt Disney Co | NVDA | Nvidia Corp | W | Wayfair Inc |
| DOCU | Docusign Inc | PENN | Penn National Gaming Inc | WM | Waste Management Inc |
| F | Ford Motor Company | PFE | Pfizer Inc | WMT | Walmart Inc |
| FB | Facebook Inc | PLTR | Palantir Technologies Inc | ZM | Zoom Video Comms Inc |
| FDX | Fedex Corp | PYPL | PayPal Holdings Inc | | |

# THE "FASCINATORS"

Crazy Facts about the Internet of Things!

# THE “FASCINATORS”

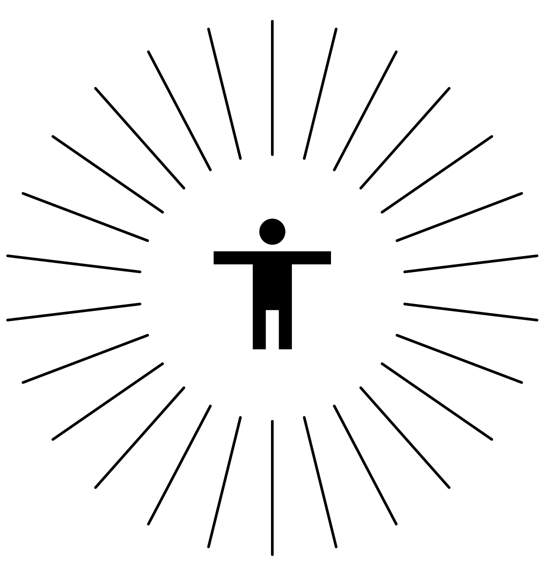



*Search is ripe for a disrupter. One that doesn’t collect your data, perhaps??!!*

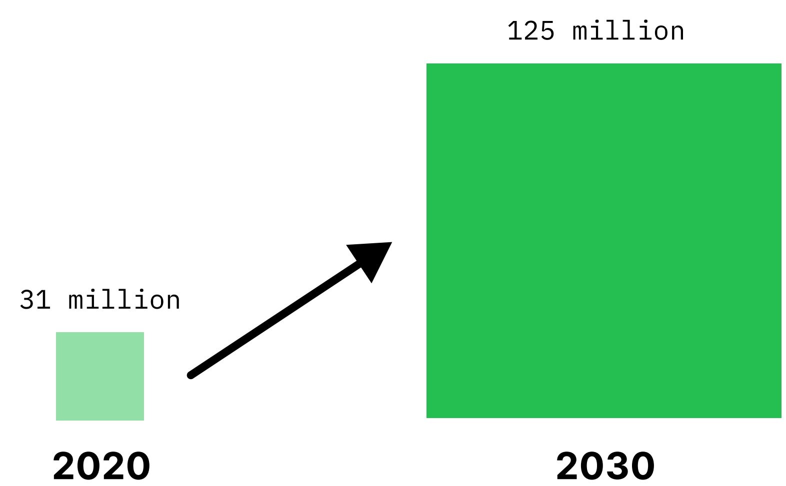
| | |
|---|---|
| **127** | **NEW devices connect to the internet every second** |
| **7,620** | **per hour** |
| **182,880** | **per day** |
| **66,930,000** | **per year** |

*It is no longer crazy to think that there will 125 billion devices connected within the next 5 years.*

*Possibly more!*



*The average human will have 26 smart objects around them inside 2 years*




*The number of IoT devices will jump by 403% during the next decade. Make sure you’re invested in companies handling the data.*

Chapter 5

# THINKING ONE BAR AHEAD™

What lumber prices
are really telling investors

## Lumber's the new gold

... and I'm only half kidding.

Wood that went for $200-$300 per 1k board feet a year ago hit $1,670 per 1k feet in May, a 735% increase nearly 40% of which has happened over the last 12 months alone.

The Fed's Boffins say that this is temporary and that prices will fall once the "cycle" returns to normal. I'm not so certain, even though lumber futures have now given up 95% of their gains as I write.

Builders simply choked and that's different.

Builders can expect to pay another $40,000 or more for an average single-family home or $13,000 per rental unit. That, in turn, means customers can expect to pay $80,000 or more assuming standard margins apply, or approximately $119 per month if you're a renter according to the National Association of Home Builders. One estimate I saw earlier this year suggested that every $1,000 price increase may mean 150,000 buyers are effectively priced out of the market.

No wonder new housing permits have hit a 7-month low and housing completions are on the decline. Nor is it a stretch of the imagination to believe that the number of homes authorized for construction but not yet begun rose to the highest levels since 1999.

Reports published as we went to press on this issue suggest mortgage applications are down 17% YoY and home prices are beginning to top out.

Here's my take on lumber prices.

**Suppy constraints aren't easily fixable**

New lumber mills can take 2-5 years to build and require $100-$300 million to build. Expanding existing mills is tougher than people think because doing so requires permitting, heavy machinery and microchips – all three of which are hard to come by at the moment.

*Lumber is the new gold*

Sawmills that went out of business during the Global Financial Crisis of 2007-2008 have never come back online.

**Harder to get lumber to where it's needed**

Rising fuel prices and a labour shortage mean very few drivers and even fewer trucks.

**Damage from Canadian blight and fires won't recover for decades**

Not many people realize that roughly 1/3rd of all US lumber supplies come from Canada where bark eating beetles ravaged nearly 50 million acres and 60% of British Columbia's pine roughly 20 years ago. Wildfires vaporized another 6.23 million acres in 2017/2018. This season could make that still worse.

**Covid-19 accelerated demand; mill operators were caught flat footed**

The Global Recession resulted in a 49% decrease in milled lumber products so many mill operators prepared for a similar crunch and dramatically reduced output as Covid-19 hit. Yet, this time around demand skyrocketed. New residential permits jumped 67% from 2020 to 2021 while new housing unit construction shot up 61% over the same time frame. Existing projects consumed most of the easily attainable supply.

## Potential Investment Implications

Technically speaking, all of these things are both a demand shock and supply shock at the same time.

**1:** Lumber futures have cratered as I write and could fall another 30% if builders stay on the side lines.

I'd be leery of companies like West Fraser Timber Corp. Ltd (WFG) and Weyerhaeuser Co (WY) The former is trading at $71.15 but could fall to under $60 a year from now. The latter is trading at $35 but I can envision sub $25 a share 12 months from now without much difficulty.

**2:** Non-lumber renovations and materials development.

Builders are actively seeking alternatives because the proverbial handwriting is on the wall for building materials just the way it is for conventional gasoline powered vehicles. This suggests a corresponding acceleration in pre-built framing components including walls, floors, and roofing panels. So far, the costs have been comparable, but I see that changing as higher-end panelising options emerge. Building speeds will accelerate by an order of magnitude shaving weeks or even months from construction schedules.

Metal framing and synthetic lumber also comes to mind. Bamboo will come into its own as will concrete which can be a remarkably versatile and cost-effective building material. We're actually considering aluminium decking ourselves.

Hemp, too. A recent Washington State study found hemp-based fibreboard tends to be 2X stronger than wood. Hemp also generates more construction grade fibre per acre than any other crop or tree, a data point that caught me by surprise.

Building salvage will skyrocket.

*Synthetic building materials will grow exponentially*

**3:** Project lag time will increase because there are not enough skilled craftsmen.

Contractors I've spoken with are telling me "late fall" or "next year" in some cases.

This speaks to a higher cost of carry and potentially lower profit margins if inventory hangs rather than getting sold through. I'm hearing similar stories from all over the country.

PS: If you'd like for me to cover a specific topic or you have your own unique "thinking OBA", please send it in!

I'd love to feature it. :)

magazine@onebarahead.com

Chapter 6

# ASK KEITH

Get your questions answered!

## Q: Palantir finally caught a bid but gave back. Is your price target still $50 a share?

**- Mike B.**

**A:** Sure has and sure did. Thanks for asking, Mike.

Recent price action is nearly textbook perfect. Volume has thinned out a bit which means that there's a lot of price acceptance as it moves higher. Markets tend to move from point to point which, on a related note, is why clustering analysis (related to acceptance) is such a key part of the OBA Value Spectrum you see in each issue with nearly every new recommendation.

Critics will argue all day long about valuations and iffy fundamentals, but those things are only applicable in the rear-view mirror. Palantir is growing by leaps and bounds and has yet to hit its stride because much of the market still doesn't understand the company like we do.

$50 a share may ultimately prove to be conservative, as hard as that is to imagine at the moment!

## Q: I know you do your homework. What do you do when analysts disagree on a stock you're following?

**- Paulina C.**

**A:** Thanks for the kind words and for asking, Paulina.

Three things.

First, I look at who is saying what. Some analysts are known simply for being outrageous or provocative. I tend to pay attention to those who are rational, even if I disagree with 'em.

Second, I apply the 5Ds to the company at issue. If there's a match based on profit potential as opposed to a "shouting match" based on who's right, I'll go with the 5Ds every time. Again, my opinion is moot. My research shows we can be profitable even if we are dead wrong (which, thankfully, doesn't happen very often).

And third, I consider whether the analysts involved work for companies with proprietary trading floors. Wall Street analysts often say things in public hoping to create an advantage for company coffers. It's a nasty game and why you always want to do what Wall Street does instead of what it says.

## Q: I've heard you talk about using covered-calls to lock in profits. Can you elaborate?

**- Scott G.**

**A:** Happy to, Scott.

Let's use a trade I made personally on Thursday (June 24, 2021) as an example. I liked the way Palantir is moving and decided I could use a few more shares.

I purchased another 1,000 shares at $26.47 per share and simultaneously sold -10 $27 PLTR calls expiring thatFriday (June 25, 2021) for $0.12 each in a single transaction called a "covered call." My cost basis was $26.35 as a result, a discount of $0.12 per share over where it was trading when I purchased.

My goal at the time was twofold.

First, I'd get to lock in a quick $650 profit if PLTR closed at or above $27 per share on the 25th and my shares were "called" away from me. (($27.00 - $26.35 = $0.65. $0.65*1,000 shares) = $650. Or ...

Second, I'd get to keep the $0.12 per share I received ($120 total) when I sold the covered calls if PLTR closed below $27 a share on the 25th and keep the shares, too. Then, I'd repeat the process by selling more calls at a later date to lower my overall cost basis even further.

Shares did, in fact, close at $26.78 on the 25th so I got to keep the $0.12 per share plus my shares. And, I've already sold more calls in keeping with my plan.

If PLTR falls sharply in the weeks ahead, I'll lose short term, but I've already decided I want the shares long term, so the game then becomes one of risk management.

I can always reverse course and Sell Cash Secured Puts to buy more PLTR shares at even lower prices, too.

We'll have more on both strategies in the upcoming OBA School Cohort this fall!

Meanwhile, please check out the April issue for a discussion on Covered Calls and the February issue for a discussion on Selling Cash Secured Puts.

### Q: Has Pfizer still got upside from here?

**- Charles and Susan L.**

**A:** Good afternoon to the both of you. Thanks for asking!

Pfizer continues to rock the house with its research and vaccine related development. The company's Covid-19 vaccine appears to be highly effective against the so-called Delta variant. I think it speaks to another $30-$35 billion top line over the next two years as additional doses become needed in much the same way flu shots roll out each season. The street is still thinking $25 billion so this could be a big win for us if I'm correct in my assessment that they've underestimated the potential.

Don't forget, there's also a healthy 3.98% dividend yield on offer.

My target is at least $60 a share.

### Q: I'm starting late and plan on contributing $2,000 a month to my retirement portfolio which is oriented around the One Bar Ahead™ approach. I understand growth but don't get the emphasis on dividends, probably because I have never paid attention.

**- Donella M.**

**A:** Hi Donella. Great question and super objectives.

Knowing what you want and how much you want it makes a huge difference. Dividends are critical to the One Bar Ahead™ process because they tend to be more stable when the markets get dicey, fall less, and recover faster. This, in turn, gives you the freedom to take on more speculative investments.

Plus, investing in companies that grow their dividends regularly through thick and thin can help build much needed income for your retirement years by compounding your wealth. And, finally, having more income means you can take out larger portions of cash without cannibalizing your principal.

*KF*

**Get your questions answered!**

Please send me yours via email using askkeith@onebarahead.com

Chapter 7

# HIGH PERFORMANCE OVER 50™

Fire up the rest of your life
with Metabolic Profit Potential!

Not all that long ago, "eating healthy" meant munching on foods that a rabbit would love. "Nuts and twigs," my grandfather used to say with a grin.

These days, things are different.

**New research shows that the quality of our food matters a whole lot more than the quantity.**

Just like investing or trading, cutting out the "junk" can go a long way towards boosting your metabolic profits.

The way we live is increasingly the issue.

Forget about the hotly contested debate between various dietary proponents and their critics. Hi-fat, low-fat, no-fat, insulin, keto, micro, vegan ... our gene pool ensures that not every diet works for every person.

**Macronutrients are key.**

I was stunned to learn recently, for example, that the typical adult today takes in a staggering 200-500 more calories daily than we did 50 years ago according to the American Heart Association and other sources.

No wonder! The average soda size was just six ounces as recently as the 1970s. Today it's 32 – 64 ounces, or 6-10X bigger. Portion sizes have gone from "that's tasty" to "OMG, how did they fit that on a plate!"

At the same time, exercise is at or near all-time lows. According to a 2016 WHO study, more than 25% of all adults worldwide – roughly 1.4 billion people - are not physically active enough.

Just five years later, the first pandemic related studies reflect even worse data with physical activity dropping to still lower levels and mental trauma tripling!

One smaller study early on from the University of Michigan in Ann Arbor suggests that 38% of people felt "tired" while 36% were having trouble sleeping and 25% - one in four people – reported feeling hopeless.

Interestingly and counterintuitively, the rate of inactivity in high-income countries is more than double that in low-income countries. Scientists beleive this is because high-income countries tend to have more sedentary lifestyles, easily accessible transportation and, not coincidentally, food.

The drive towards convenience, quantity and cost has come quite literally at a terrible price. It's easier to feed junior a Pop Tart® on his way out the door than it is to rustle up some eggs, a little ham, and some fresh bread. It's simpler to heat a frozen pizza than make one from scratch.

Sadly, most of our food system is now financially engineered to maximise profits by providing "cheaper calories" instead of healthier choices, better performance, or higher nutrition.

This is the real reason why companies Apple are so interested in health care data and investing choices like Beyond Meat have a $9-billion capitalization. It's also why investing in clean living is about more than just money and why I insist on including it in One Bar Ahead™.

Don't get me wrong ... I'm known to snarf my share of cookies when they come out of the oven. I don't think twice about eating hi-fat Italian sausage with a heaping plate of pasta. What's more, I enjoy a big steak, potatoes and a cold beer to wash it down with the best of 'em.

**I just make sure I start with ingredients I can pronounce and a recipe I know will balance the nutritional inputs I need to live well.**

Then, I get off my rumpus and exercise.

People think this is very limiting, but the opposite is true.

The possibilities are endless when you start by making great choices ahead of time. Only now I'm "ORA" – One Recipe Ahead, thanks to my bride of course!

**Speaking of which, here's one of my favourite recipes! →**

## Chicken with Black Bean Sauce

**Marinade Ingredients:**

- 2 chicken breasts or 4 chicken thighs, skinless and boneless, cut in small pieces
- 3 tablespoons water
- 3 teaspoons corn-starch
- 1 teaspoon oil
- 2 teaspoons light soy sauce

**Other Ingredients:**

- 2 or little less tablespoons oil (I use avocado oil which can hold high temperatures)
- 3 slices ginger (very thin julienned)
- 3 cloves garlic (smashed and chopped)
- 1 bunch thicker scallion (cut in 5cm)
- 3 tablespoons fermented black beans (I prefer the ones in oil, not dried, for this recipe)
- 1 green bell pepper (cut into bite-sized pieces)
- 1 red bell pepper (cut into bite-sized pieces)
- ½ teaspoon sugar
- 1 tablespoon sake or leftover white wine
- 1 tablespoon chile sauce of your choice (I use our homemade super-hot version)
- ¼ teaspoon salt (or to taste)
- 2 tablespoons water

**How to Make It**

Combine the chicken and the **marinade ingredients** in a bowl. Mix until all the liquid is absorbed. Allow to marinate for 30 minutes or overnight if you really want the flavour to set.

Pre-heat your wok over high heat, until it starts to smoke. If you don't have a wok, I suggest a cast iron pan because it gets very hot.

Add the chicken, and quickly spread the pieces into a single layer. Once the chicken looks done, turn off the heat, transfer the chicken to a dish, and set aside.


*The chicken should look like this (left) before the vegetables go in (right)*

Heat a tiny bit of oil in the wok over medium heat. Add the ginger, and let it cook for 15 seconds. Next, add the garlic, the white parts of the scallions, and the black beans. Stir for another 30 seconds. Now, turn up the heat to high. Add the green and red peppers and stir fry for about a minute.

Add the sugar, sake, salt, the chicken, 2 tablespoons (or little more, if it looks too dry) of water, and the green parts of the scallion. Quickly stir-fry everything well to coat in the sauce.

Serve with simple rice (white or brown) and a light soup. Some marinated veggies could work as well. Compliment with your favourite wine or sparkling water with a twist. Chilled sake is even better, especially if you can get a nice "Junmai Ginjo."

*Enjoy!*

# Thank You for Reading One Bar Ahead™!

**The quest for consistent safety-first, big picture 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.**

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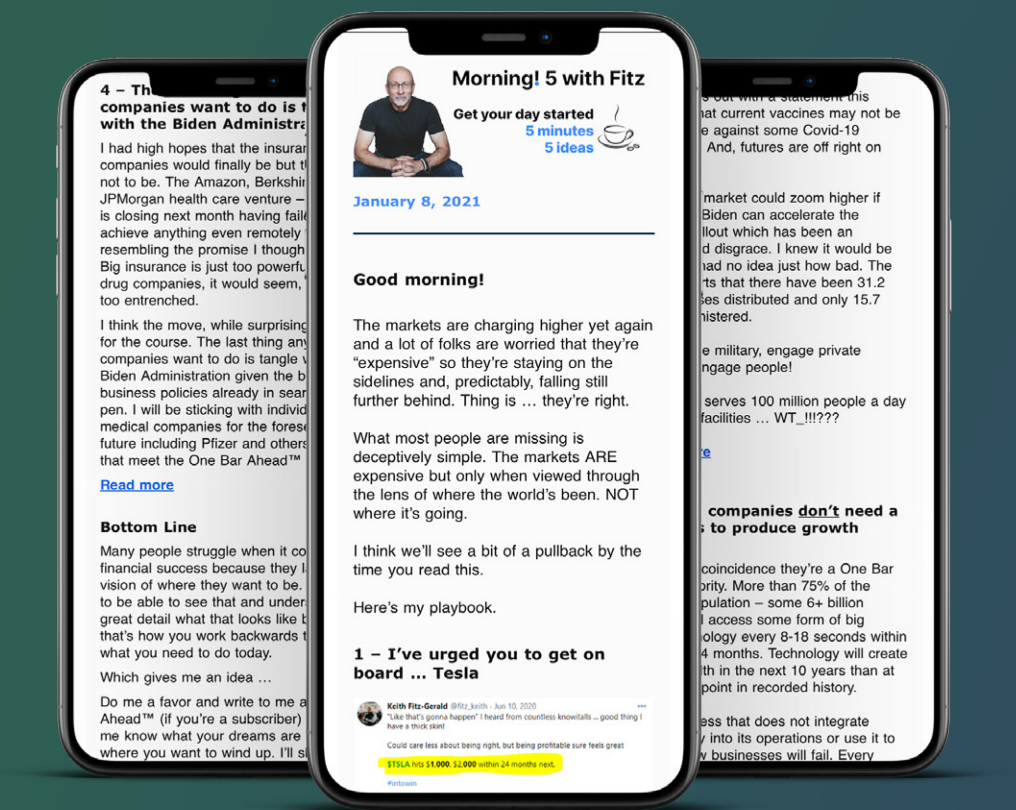


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