TSLA	CAT	F	AAPL	PLTR	AMD	FB	MSFT
572.84 ▲	243.84 ▲	15.99 ▼	123.54 ▲	23.63 ▼	80.28 ▲	326.04 ▲	245.71 ▲

One Bar Ahead™

JUNE 2021

BY KEITH FITZ-GERALD

OWN IT NOW!

The world's first post-pandemic "Category Killer"

NEW INVESTORS

Asking the right questions can set you up for life

China's ALL IN on Crypto: what to buy now and why

Grab this stock ahead of the Fed's next move

2021: What I've gotten right (and wrong) so far

New research!

Why you'll want to buy a pet
(or borrow your neighbor's)

Disclaimers

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Keith Fitz-Gerald’s
ONE BAR AHEAD™

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Letter from Keith

Dear Reader,

Nelson Mandela once said that there is no small passion to be found playing small – in settling for a life that is less than the one you are capable of living.

I couldn’t agree more strongly, especially when it comes to investing.

We’re in charge.

And – news flash – YOU are very, very capable!

Many people believe that they could never be in control of their own money because it’s too risky. The truth of the matter is that handing it over to Wall Street is far more dangerous and far riskier.

I believe anybody can be a fabulously successful investor or trader with the right education, the right tools, and the right mindset. In fact, I built One Bar Ahead™ expressly for that purpose.

To help us – you and me – get there!

Wall Street is not in the business of providing you with a guaranteed income or financial security. Anybody who entrusts their money to the “Armani Army” will never be financially independent. Or, if by some stroke of the imagination, they do make it to that point, odds are they will be finishing so late in the game that they’ll have already frittered away their future.

The investment industry is built upon your money, your effort and the premise that you will voluntarily hand over your future to them on a regular, systematic basis. Wall Street will never say as much, but their entire existence is predicated on the assumption that you’ll “set it and forget it” or trade constantly.

People like guarantees, but they’re the last thing on earth Wall Street will give you. The system is rigged. That’s why many of the products they offer under the guise of helping you come with huge penalties for early withdrawals or in the event you want to change things up.

Ask anybody who saw their portfolios halved (or worse) in the Internet Crash of 2000 or again in the Global Financial Crisis of 2007-2008. Even Covid-19. Yet, stories abound about how hedge fund managers and big traders made billions.

It doesn’t have to be this way.

The risks associated with today’s financial markets are higher than they’ve ever been. Yet, so are the opportunities!

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

Apple, just to name one of the companies we’re following, is on track to sell 100+ million wearables this year which will add something on the order of $30 billion to the top line. Let that sink in.

$30 billion puts Apple’s wearables on par with a Fortune 100 company … and it’s just a single division!

The situation we’re living through now reminds me of the Roaring ‘20s – as in the 1920’s - a period when the world came roaring out of the depths of the last pandemic and enjoyed unprecedented growth.

People simply forget their history which, of course, means they’re totally unprepared for the future.

The so-called Spanish Flu (1918 - 1920) set the stage for previously unimaginable medical advances, new technology, and even creative arts. Henry Ford’s production lines, for example, changed manufacturing forever.

Quick-frozen foods debuted. We got the Band-Aid, the electric blender, TV, and the traffic signal among other things. Insulin was used for the first time. Immunizations reduced diphtheria and penicillin was discovered.

Today we see companies like Pfizer going from discovery to development to distribution of a nearly 100% efficient vaccine in under 12 months. 5G technology is being used to usher in significantly improved amounts of interconnectivity. Data is quite literally the global future, and it is no longer beyond the realm of imagination to think about 100-200 billion interconnected devices in the next few years. Gene therapy, computing power, and vaccines could eliminate many of the diseases we face today.

Author, entrepreneur, and futurist Peter Diamandis says simply that there are “another billion people joining the conversation.” That’s the real key and a tipping point in the scheme of things.

Consumers are no longer passive recipients of whatever is put on offer like they were in the 1920s. Today we’re increasingly demanding transparency, access, and interaction as a function of transformation in the 2020s. We buy willingly from companies that meet our vision.

The largest single block of purchasing power isn’t the rich, contrary to what many people think. It’s folks like you and me who define the next wave of purchasing power … and profits.

The global middle class will increase by 2 billion people to represent roughly 5.3 billion people just nine years from now.

Make no mistake about it, these are enormous numbers.

Approximately **60% of all new consumer spending – some $15+ trillion - for the next ten years will come from middle-class households representing 75% of the world’s total consumer spending** according to a joint study from Visa and Oxford Economics.

This is so much money that it’s the equivalent of adding a *second* United States to global consumption with the next decade.

Estimates from Haver Analytics and others suggest that 28%-30% of that will come from non-global cities like Guadalajara, Chengdu, Natal, Nairobi, and Kolkata where the number of middle-class households will rise 88% from 2017 to 2030.

By comparison, the number of middle-class households in cities like London, Los Angeles, Dubai, and Moscow may grow by just 12% and just 48% in places like Delhi, Glasgow, Rio de Janeiro, and Brisbane.

Forget about the high-pinky club that has captured the attention of so many at the moment. Middle-class purchases will increase demand for food, water, and energy by 35%, 40%, and 50% respectively by 2030 according to the European Commission.

My first recommendation could well be the world's first post-pandemic "category killer." Management is investing heavily in transformative technology and it's already roaring into the reopening. I expect profit margins to expand on par with or even faster than sales growth.

My second recommendation is a critically defensive play. Many people haven't put the pieces together yet, but doing so now is exactly the move we need to make. There will not be a second chance for reasons you will understand momentarily.

I continue to believe there's a growing chance that the Fed starts to taper asset purchases this year, which is why I've got a third recommendation this month. Almost nobody is talking about this possibility other than us at the moment which means we've got the perfect opening on our hands. Chances are you're going to love the yield too; I know I do.

Plus, we're six months into the year which means it's time for a look at what I've gotten right (and wrong) so far. I counsel you to take a good hard look at the strategies you use, at your investments, and at your analysis so it only makes sense that I do the same thing – warts and all.

There's also an exciting new look at one of the most basic investment questions of all ... "where do I start?" What my son, Kuni, has to say on the subject may surprise you. It's valuable perspective and potentially exceptionally profitable advice, too.

And, finally, I've got a few thoughts on why fins, feathers, and fur can make you a better person and quite possibly a more effective, consistently profitable investor. New research shows that having pets or even access to them could play a far more significant role in our lives than previously understood.

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

Best regards for health and wealth,

Keith 😊

THE WORLD'S FIRST POST-PANDEMIC "CATEGORY KILLER"

The World's First Post-Pandemic "Category Killer"

The next wave of consumer spending is coming from an unexpected source ... us.

Millions of investors are falling all over themselves to buy what I call "high pinky club" recovery stocks including cruise companies, hotels, airlines, and more.

I get the allure but that's a very short-term view of things.

The real opportunity is far tastier.

Approximately 60% of all new consumer spending – some $15+ trillion - for the next ten years will come from middle-class households representing 75% of the world's total consumer spending according to a joint study from Visa and Oxford Economics.

Middle-class purchases will increase demand for food, water, and energy by 35%, 40%, and 50% respectively by 2030 according to the European Commission.

The company I'm going to share with you this month could be the world's first post-pandemic "category killer."

I've recommended it in the past and it's done very, very well for anybody who followed along.

Now, it's time to recommend it again.

The company just may be the very best big picture, safety-first investment on the planet.

Plus, it's a cash-flow machine, a great inflation hedge, and kicks off superb income at a time when the Fed's next move could derail markets.

Buying now, while everybody is looking the other way, could be just the ticket.

Management is making major investments in technology that will transform the company and cause profit margins to soar. It's tapped into what could be a $400+ billion market.

I think the stock price doubles in 5 years or less.

Here are a few quick fascinators to whet your appetite:

- The company's app has 20+ million active users
- Same-store sales are already in line with pre-Covid-19 levels
- Enjoys a 40.32% operating margin that's 5.2-6X larger than primary competitors
- Distributes 1.5 billion toys a year
- Has reported 44 consecutive years of dividend growth

And here's my case for McDonald's (MCD).

Way beyond burgers

Up until a few years ago, industries were segmented by the products they made and the markets they serviced. If you wanted tech, you bought tech. If you fancied real estate, you bought a builder. Loved retail, you purchased shares in the leading store chains.

Things have come full circle now.

Trends that sweep broadly across every industry are where the smart money is headed.

That's why the "5 D's" are so very critical. Tomorrow's profits belong to those who "dare" today.

Contrary to what most people think, McDonald's isn't about burgers or even fast food any more than Apple is about iPhones these days. Uncle Ronald is now a technology company embracing digitalization that just happens to make burgers and a lot of other great-tasting stuff, too.

Company studies show that customers order more food and more menu items when placing their orders through kiosks or the app than if an employee took their order at the register.

Order accuracy goes up, throughput increases and, of course, profits jump. Comparable sales have already equaled pre-covid levels and are still on the uptake.

The World's First Post-Pandemic "Category Killer"

Layering automation, AI, and digital payments on top of traditional offerings is just the beginning.

I expect McDonald's to make additional investments that build upon Dynamic Yield and Apprente, both of which are artificial intelligence companies purchased in 2019 for a combined $300+ million.

I see a decidedly hamburger-oriented ecosystem in the works, too. McDonald's purchased a 9.9% stake in New Zealand-based app developer Plexure in 2019. That's already borne fruit in the form of AI-enabled fraud detection but, critically, Plexure already pushes something on the order of 5-8 million messages a month in at least 78 languages.

Plexure is moving into global markets which could indicate where McDonald's wants to expand next and which companies are on the proverbial shopping list. I so find the deal with Super Indo super appetizing for example, pun absolutely intended. White Castle is stepping up, as well.

Digital sales are already more than $10 billion and account for 20% of system-wide sales last year. I think this may hit 30% a year from now, possibly higher. McDonald's plans to have kiosks in every US location by the end of this year with a worldwide rollout to follow.

dynamic yield

APPRENTE

plexure

McDonald's is investing heavily in A.I. and software

The efficiency gains will be enormous. Some experts estimate that same-store sales could jump by 5% but I think the figure could actually be double that particularly in expensive markets like Seattle, Los Angeles, and New York where labor is a major chunk of the P&L and hard to come by post-Covid. This, in turn, will boost in-store safety, efficiency, and customer care.

Wages will jump for those workers who see the endgame, and there's a good chance that the $15 an hour minimum wage crowd will be caught flat-footed (once again). I can easily envision McDonald's shifting to a profit-sharing model that's very different from industry norms at the moment. The surest way to attract, retain and grow your employee base is to pay them well.

Profits, of course, are a logical outcome.

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

The Universe

McDonald's is right in the sweet spot which, in case you're just joining us, is smack dab in the middle of the chart. My research shows very clearly that the best investments – meaning those that represent the most favorable combination of value, growth, income potential, and liquidity – are generally found here.

There's plenty of room to run higher and to the right (which is what we want to see while we own it).

The World's First Post-Pandemic "Category Killer"

Fundamentals

Fundamentals are solid as you'd expect. Surprisingly so, in fact.

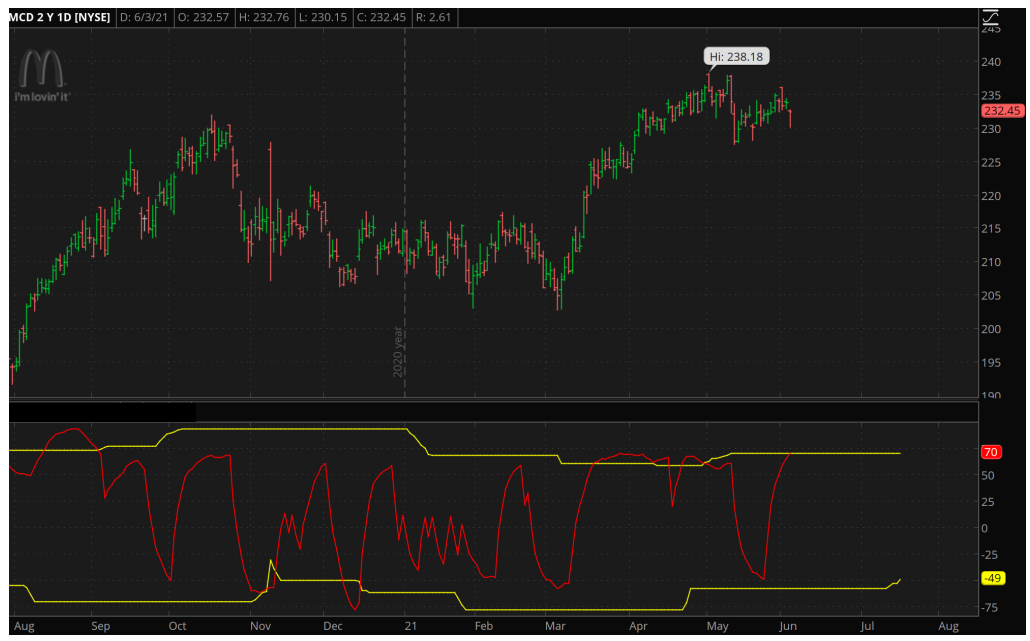
McDonald's Piotroski score is 6 of nine possible points and getting stronger. This is a sign of great financial health that typically presages stock price movement higher over time.

McDonald's announced a massive 35% jump in net income this past quarter. The company sells 75 burgers a second and serves up enough food to feed 70 million people a day. To put that into context, that's the entire populations of Tokyo, Shanghai, and Chicago... combined!

What's more, the company has an operating margin of 40.32%, which is 6x higher than Chipotle and 5.2x of Starbucks, two of the more media-friendly recovery trades in recent months. Evidently, burritos and lattes are more "exciting" but I'll take "two all-beef patties" any day for my money.

The MMI (Master Market Indicator)

The MMI is a little "hotter" than I'd like but that's something we can work with. We know we want to own MCD so assembling a position really comes down to tactics.



The stock is encountering resistance just shy of the 52-week high of $238.18 it set last month. What's more, there's support at the $228-$230 level. This is a classic channel but also a frequent precursor to higher breakouts.

I suggest buying a few shares under $235 as a great way to get started accumulating shares or adding to existing holdings. I know some folks in the OBA Family may already own MCD based on my prior research at my former publisher, which is why I bring this up.

Alternatively, if you're worried about a short-term correction or broader market conditions, consider a LowBall Order to buy at the lower end of the range. Depending on how badly you want shares and how you feel about the perceived risks, buying under $225 could do nicely. The danger, of course, is that shares never drop that low which means your order isn't filled, and MCD chugs higher without you.

Selling cash-secured puts could be a great way to go, too. There isn't a lot of volatility at the moment so ideally, you'll want to wait for a big down day to properly maximize the opportunity.

My analysis suggests that $220 could be the far end of the downside range, so selling the July 16 $220 MCD Puts makes sense. They're trading for $1.42-$1.49 as I write, which means they meet the thresholds I detailed in the February issue when I laid out this Power Trading Technique.

The World's First Post-Pandemic "Category Killer"

As always, there's nothing wrong with combining one or more of your entries.

For example, I purchased a handful of MCD shares to dip my toes in the water and to ensure that I don't miss a monster run higher if it gets moving. Then, moments later, I sold the July 16 $220 MCD puts for $1.42 each because I really want to load up if prices drop that low.

Action to take:

Buy McDonald's for $235 per share or less to begin the journey ahead. Immediately implement a 25% trailing stop below your purchase price to protect your capital. Tuck shares away in the Global Growth and Income section of your portfolio.

Consider using any market volatility to your advantage by adding shares under $230 if there's a broader market pullback. Alternatively, consider a LowBall Order under $225 or selling Cash Secured Puts around $220.

As always, options are not suitable for all investors. Caveats apply.

Sell Cash Secured Puts ONLY if you have the cash to buy a corresponding number of shares for each put option you sell at the strike price. Paper trade if you're not sure or review the February issue to practice using the strategy.

If you have any questions about how to take action on stocks like McDonald's, that's what the Friday AMAs are for!

Please send in any questions you have to

askkeith@onebarahead.com

⧖ Fascinators

McDonald's makes a staggering 75 hamburgers a second worldwide.

At an average of 417 calories per burger (using the quarter pounder), that's an astonishing 31,275 calories worth of energy.

Here's what you can do with that energy:

- In 1 second, you can power a 10-watt LED light bulb for 5 months

- In 3 seconds, you can fully charge a Tesla Model 3

- In 15 minutes, you can power a full F1 race grid with 20 cars and a safety car (each car expending roughly 1400 kWh of energy per race)

- In 1 hour, you have enough energy to circumnavigate the earth in a Tesla... twice

- In 1 day, you could power a Radiohead concert for 9,325 years

- In 83 days, you could have enough energy to launch a Falcon 9 rocket to orbit

Is it time to adopt hamburger-minutes as a legitimate measure of energy?

Hmmmmm.... I wonder!

CHINA'S GONE "ALL IN" ON CRYPTO

What to buy now and why

The Real Reason China's Gone "All In"

Conditions are finally right

I've waited nearly a decade to tell this story and for market conditions to be "right" to make this recommendation.

China's gone "all in" on crypto.

What happens next may well be one of the single largest money-making opportunities in recorded history. It is also the biggest single strategic risk our nation has ever faced.

Frankly, I don't know whether to be scared out of my wits or merely shaking my head in amazement that our leaders cannot see it coming. They certainly don't understand the game that's already well under way.

I do know, though, that we're in to win.

That means we need to constantly hunt for profits even if they're taking place thousands of miles from our own shores and even if they're tough to think about.

Let me set the stage.

It was 2010 and I was in Shanghai, China for business. I'd received an invitation to a very exclusive private gathering at the famous Long Bar which dates back to 1910; it's been a cornerstone of glamour and cool sophistication for much of the past century.

I recall a piano player tickling the ivories and a remarkable young Chinese woman singing some top-flight jazz. I was dressed in a white dinner jacket, wearing a bow tie as sharp as a Gillette razor. Most of my colleagues opted for black with uniquely trimmed lapels and kerchiefs. The hostesses were dressed in some of the finest silk cheongsams I've ever seen.

It was all very "James Bond."

I'd come to Shanghai to research what I was calling China's "path forward" at the time.

The story starts at a jazz bar in Shanghai...

I'd heard for years about China's plans to engage the West, but I never bought into the part about dominating it. In fact, I'd always written that kind of thinking off as alarmist.

Still, I was convinced that the West was "missing" something big. So, I came to look for myself. There's simply no substitute for firsthand knowledge.

Every Chinese business leader in the room was proof positive about two things: 1) that China's global rise was as inevitable as the sun coming up tomorrow and 2) that America would be blinded by its own avarice.

The words of Singapore's legendary Prime Minister, the late Lee Kuan Yew rang loudly in the back of my mind as I made the rounds. "China is not just another player (like the West desperately wants to believe) ... it is the biggest player in the history of man," he said.

It was an "ah-ha" moment of epic proportions. I laid out my vision that evening after I'd returned to my hotel, a process that took me well into the wee hours of the morning. It would be a long game played out over decades and one steeped in history ... one the West wouldn't see coming.

The Real Reason China's Gone "All In" on Crypto

China operates on two founding principles: stability and order. The country has no interest in charting a path forward that it doesn't control because painful periods in its past like the "warring states" and the breakdown of central authority run deep throughout its 5,000-year history. China wants control because it believes that having control is the only way it will succeed.

China's game plan

Step one, I reasoned, would be to suck the West into trade relationships under the guise of partnerships and mutual benefit. Then, pilfer every last bit of intellectual property possible.

That's happened.

Step two would be to end-run the U.S. and the UN by directly supporting fringe nations in Africa and South America that draw our enemies closer and make it harder to disentangle.

That's happened.

Step three would be to redefine trade relationships u.s.ing bi-lateral agreements to isolate economic enemies instead of bombs, bullets, or contracts. This would mean newly emboldened strategies in the Middle East, dealing with Russia and, increasingly, isolating the United States.

That's happened.

Step four would be to modernize China's financial markets by inviting Western financial experts to help develop the instruments and exchanges needed to make that happen.

That's happening.

Step five would be redefining money itself with the express goal of u.s.ing the Yuan to replace the U.S. Dollar as the world's reserve currency. Doing so would allow China enough strength to begin making the rules instead of just following them on the global stage.

That's just getting underway.

China's crypto crackdown has nothing to do with reining in speculation or bitcoin itself as most people in the West think. Instead, it has everything to do with control over the world's financial system a few years from now.

It is China's penultimate move and, not coincidently, an epic opportunity for savvy investors.

The case for urgency

On May 18th, China's financial authorities banned all major financial institutions from offering services related to cryptocurrency including specifically registration, trading, clearing, and settlement. They also banned institutions from saving, pledging, or otherwise issuing financial products related to cryptocurrency.

Interestingly, though, individuals are NOT banned from owning cryptocurrencies. We'll come back to that in a moment because it's very important.

Chinese Vice Premier Liu He said that the crackdown is necessary to prevent "transmission of individual risks to the social field." As usual, there's a lot lost in translation.

China's crackdown has NOTHING to do with speculation or bitcoin itself

The Real Reason China's Gone "All In" on Crypto

What Liu is really saying to the Chinese in Chinese is that anybody violating this order risks severe prosecution in a legal system that's already made up its mind about the future.

China has historically relied on exceptionally harsh punishment as a means of defending the people against moral order in a society that's undergoing rapid change. This is, of course, exactly why Liu noted what he did, "prevention of transmission ... to the social field."

The West views cryptocurrencies as an expression of financial freedom. China views 'em as a source of control.

China accounts for roughly 65% of the world's total bitcoin mining capacity, or at least it did. Cryptocurrencies were a $15.7 billion industry responsible for creating hundreds of thousands of jobs, according to Benjamin Gu, founder of Liyan Consulting and a cryptocurrency expert.

Now, data centers are being shut down and preferential government policies eliminated. Telecommunications firms, internet providers, and even internet cafes risk are reportedly under severe pressure. Beijing's also made it clear that any company and its owners found to be trading cryptocurrencies or engaged in money laundering will be handed over to the authorities.

Anybody who resists may well get a long walk in the Gobi Desert.

I have heard anecdotally that the Beijing Police Department has even printed flyers encouraging the people to turn in anyone suspected to be involved. Stories are beginning to filter out of China that the Police are arbitrarily summoning individuals and forcing them to delete trading apps. Even liquidate bank accounts but I have not yet seen verification that's true.

A few die-hards are still running computers at home hoping not to get caught. Dicey move!

Meanwhile, big miners and trading operations have shut down and are relocating into other parts of Asia or even North America.

Crypto has gone underground in China

As I noted in Tuesday's Morning! 5 with Fitz, China's "Robinhoods" are applying for U.S. licenses.

This is not the first time China's gone after cryptocurrencies.

In fact, China started to clamp down in 2017 when the financial authorities forced local exchanges to shut down and simultaneously banned initial coin offerings (a fancy way of saying creating new cryptocurrencies).

The enforcement model isn't new either. In fact, there are parallels between what's happening now and the severe clampdown of the P2P lending industry a few years earlier which, at the time, involved more than 50 million users and $150 billion in outstanding loans according to Bloomberg.

Why now

Contrary to what is being portrayed in the West, China's clampdown has nothing to do with being against cryptocurrencies and bitcoin specifically. In fact, quite the opposite is true.

China is weaponizing crypto by controlling access as part of a long-range play that undermines the U.S. Dollar and the global financial system; the same play I outlined a decade ago and which many people still don't believe is possible.

The Real Reason China's Gone "All In" on Crypto

Beijing wants the Yuan to become the world's new reserve currency and making it digital is the masterstroke, especially if they can do it before the United States embraces digital Dollars.

Here's how it's going to go down.

First, Chinese authorities have banned crypto offerings, dealing, clearing and the like because they want complete control and no competition. Crucially, they've maintained that owning crypto is legal for individuals.

Second, China is already digitizing the Yuan. This gives it a huge leg up on the United States which, according to Chairman Powell is beginning to discuss the idea of a digital Dollar.

The digital Yuan is already in use as part of several test programs and is already interchangeable with actual currency. It resides on users' phones and is completely outside the US-dollar denominated global financial system.

This may not seem important but being outside the global monetary system means that users can potentially bypass sanctions, conventional financial exchanges, and even currency regulations.

China will roll out the digital Yuan in stages, each of which is intended to inch the world closer to full acceptance and the Yuan to global reserve status.

As part of that, I believe that China will experiment with expiration dates to gauge spending patterns and, critically, to see if it's possible to stimulate China's economy at will if needed.

I also believe China will create special exchanges allowing users worldwide to spend their bitcoin in exchange for digital Yuan at a significant premium to actual market prices as a means of sucking them into the digital Yuan-based ecosystem. This will be created under the guise of providing additional liquidity where there is very little presently. Predictably, the West will fall for the con.

I suspect China will use the 2022 Winter Games to launch the digital Yuan into international markets by giving it to visiting athletes who are then encouraged to spend it on Chinese-related goods and services ... even after they return home. That will, of course, complete the circle.

Third, China will do everything it can to make the digital Yuan more attractive, more fungible, and more usable than any other digital sovereign currency on the planet but especially the United States dollar.

Beijing will integrate the digital Yuan with Chinese payment providers like Ant Group (which it recently took over under the guise of kiboshing Ant Group's IPO and bringing Jack Ma into line) and WeChat Pay to piggyback it into widespread acceptance across Asia and the world.

Roughly 88% of global trade is tied to the U.S.-dollar centric global financial system. Making the digital Yuan available and, critically, valuable ahead of anything the U.S. can field gives it a huge lead.

This is the U.S. financial system's worst nightmare. Imagine U.S. citizens buying Yuan instead of Dollars then spending 'em at your local grocery store where the digital Yuan has become the single most attractive payment option and currency.

They will likely launch the e-CNY into the international spotlight at the 2022 Winter Olympics

The Real Reason China's Gone "All In" on Crypto

U.S. Treasuries will come under severe pressure, if not crater. Uncle Sam will have to slap higher rates on every new debt issuance to bring buyers back. Funding our government at will is no longer be possible. Inflation will skyrocket and the resulting chaos could make the Global Financial Crisis of 2007 look like amateur hour.

People tell me all the time that'll never happen ... that it can't happen. I wouldn't be so sure.

IMF data suggest that the Yuan already accounts for about 2% of global trade at the moment but I expect that to be 10% within the next five years prompted largely by the digitalization of Chinese money. That would put the Yuan ahead of the Japanese Yen, the British Pound, and the Euro. I also expect the digital Yuan to be 50/50 with the dollar by 2030.

Thankfully, all is NOT lost.

The world changes constantly and, to a point I make frequently, that means we need to change up our thinking, our tactics, and our investments, too.

In this case, we're going to use China's march forward to our advantage even if we don't like that one iota.

In fact, we already are.

U.S. dollar-based China-Russia trade is shrinking rapidly at a rate of 10 percent per annum. At that rate, come 2025, **all** China-Russia trade will be conducted in either Yuan, Euros or via the respective digital currencies.

It's hardly surprising that the use of the U.S. dollar will begin to diminish.

Source: China Briefing

As I noted at the very beginning of this column, this is an issue I've thought about, analyzed, prepared for, and researched for more than a decade.

Like China, we've got to think strategically.

The first order of business is storing the Digital Yuan.

Apple (AAPL) is the play here. The company has been deeply involved in China for decades. Team Cook understands the ecosystem China's building better than any other comparable Western company.

I have got to believe that Apple is already working closely with the digital Yuan project because any digital-Yuan based offering will have to reside in the App Store, access Apple's digital Wallet and be completely fungible with Apple devices like the Watch as well as future wearables like rings or intelligent clothing, etc.

Apple's own job boards seem to support this thinking. For instance, I've recently spotted one posting highlighting the need for a biz-dev specialist with experience in "working in or with alternative payment providers, such as digital wallets, BNPL [buy now pay later], Fast Payments, cryptocurrency etc."

It's not clear if this is a global position but the manager/candidate is expected to be Apple's chief negotiator in the alternative payments space according to Yahoo! Finance.

The second order of business is processing payments themselves.

JPMorgan has had the inside track in China for years. So, they're a logical partner when it comes to the digital Yuan.

Many people are surprised to learn that JPMorgan Chase (JPM) filed patents for Blockchain-powered payments in 2013 that were made public in 2018. The company has also filed patent applications for virtual receipts on distributed platforms using distributed ledger technology or DLT for short.

The Real Reason China's Gone "All In" on Crypto

The same can be said about Visa (V) which has filed patent applications for what it calls "digital fiat currency" on centralized computers. The patents seem to imply using fiat currencies in conjunction with emerging payments technology. That, in turn, addresses what I have to imagine will be a key Federal Reserve concern, the ability to control volume and value (meaning how much currency can be created out of thin air).

Interestingly, Visa's patent application also contains 11 references to Ethereum. No doubt China is keenly aware of the most intimate details already. I've recommended that too … the Ethereum, that is.

The third order of business is to pick a Chinese payments provider.

There are really only two players worthy of your attention: Tencent's WeBank and Ant Group's MyBank.

My money's on WeBank.

My money's on WeBank

WeBank is an entirely digital bank offering what the Chinese call "inclusive finance," meaning that the bank prioritizes customers who may have below-average income and little to no borrowing or credit history.

For all intents and purposes, WeBank is the Affirm BNPL (buy now pay later) model combined with JPMorgan's interest in issuing credit cards without using credit ratings as a means of determining borrowing/repayment capacity.

WeBank has a 38.8% share of China's digital payments markets versus the 56% share Alibaba's MyBank enjoys according to iResearch. Westerners would normally go for the bigger player but the reverse is true in China; I believe that Beijing will go out of its way to help WeBank "catch up" as part of the runup into the digital Yuan because it makes China stronger.

WeBank is not so much a bank as it is a technology company with banking licenses. That's an important consideration considering that WeBank filed 632 patent applications in 2019 which is roughly 3 times as many applications filed by JPMorgan Chase and 16 times the number filed by Goldman Sachs.

This brings me back to Tencent (TCEHY).

You can't buy shares in WeBank directly because it's privately held. But Tencent owns 30% of WeBank's stock, and we can buy that via an ADR trading right here in the United States.

People often describe Tencent as one of the world's largest Internet services and products companies but that really doesn't do it justice. There really is no western equivalent.

Tencent is really something more on the order of PayPal, Netflix, Facebook, Zoom, Amazon's Cloud, Twitter, and the world's largest gaming provider all wrapped up in one company. It's hard to fathom.

The Real Reason China's Gone "All In" on Crypto

Profit margins are roughly 40% across the board which is a staggering achievement considering the company has 1.2-1.5 billion users. Fintech and business services are roughly 25% of revenues and 20% of net profits respectively at the moment but I expect those numbers to jump considerably as the digital Yuan rolls out over the next two years.

And finally, if you buy off on the assumption that China intends to attack the Dollar like I do based on the case I've just laid out, owning Tencent is a great way to hedge that risk away. Owning stronger companies and currencies is also a proven way to hedge devaluation.

Tencent's been beaten down 20% from the 52-week high of $99.40 to just 78.38 as I type. The stock appears to have some upside resistance at $80 but that's exactly what I want to see because it tells me everybody is looking somewhere else.

Are there risks?

Definitely.

First, U.S. regulators are on the warpath when it comes to identifying and removing bad actors from our financial system. They're planning to delist companies if they don't comply with increasingly detailed accounting standards intended to promote transparency for American investors or which are potentially hostile to the United States and its interests.

The clock is supposedly 36 months from inquiry to action and is based on three consecutive years of non-audit compliance. However, the rules are not yet set in stone which is why I can easily see that timeframe being accelerated for Chinese companies like Alibaba, Baidu, and Tencent if relations sour diplomatically speaking.

Second, China could easily "pull an Alibaba" with Tencent's CEO Ma Huateng aka "Pony Ma."

Tencent is a natural target for CCP officials and Chinese regulators because the company has changed the way billions of Chinese citizens handle their money.

However, my read on the situation is that this a relatively low risk. Unlike Jack Ma who defiantly resisted Beijing's "direction," Pony Ma seems to be keenly aware of his station and willing to play along as evident by a recent statement.

"As we look into the future, we see expanding opportunities in the various verticals in which we operate, enabled by technology innovation and increasing acceptance of digital solutions among users and businesses. As a result, we are stepping up our investment in areas including business services and enterprise software, high-production-value games, and short-form video. In addition, as a technology company serving a broad base of users and enterprises, we recognize our social responsibility and the opportunities to create significant social value through innovations. We believe that our recent strategic upgrade and establishment of a Sustainable Social Value Organization will allow us to make an even more positive impact on society, and usher in a new phase of development for Tencent."

And that, as much as anything else we've discussed today, is our opening. OBA Universe and Valuation metrics notwithstanding.

Action to take:

Buy Tencent Holdings ADR (TCEHY) under $80 and immediately implement a 25% trailing stop below your purchase price as a means of protecting your capital and your profits. Plan on nibbling in at times of short-term volatility.

Tuck shares in the Zingers for now. Over time, as we accumulate shares, I expect to migrate shares into the Global Growth and Income category. The stock has to prove itself first, though.

There are no options available so strategies I'd normally recommend like buying Married Puts or selling Cash-Secured Puts aren't available. Consider using Dollar Cost Averaging to accumulate shares over time and minimize risk along the way instead.

BUY THIS 150-YEAR OLD “STEADY EDDIE”

Worried about Inflation
and the Fed’s Next Move?
Here’s the solution.

Buy this 150-year-old “Steady Eddie”

Inflation is scary (but it doesn’t have to be)

I hear from a lot of folks around the world every month as you might imagine. Many are deeply worried about their money when it comes to two things: 1) inflation and 2) the Fed’s next move.

This is your moment if you’re one of ‘em.

We are living through the end of an age we’ve known all our lives – an era where the Federal Government can print money at will and has stacked up a staggering $200+ trillion in unfunded obligations that are already spoken for.

$200 trillion … that’s a hard number to wrap your mind around.

You could spend $1,000 a second every day, 24 hours a day, 365 days a year … and it would take you 31,688 years to spend just $1 trillion. Who do our leaders think they’re kidding??!!

Not us!

Investing with one eye on the exits has never been more important.

The Beltway Boffins are telling us that they’ve got it all under control and that inflation is “transitory,” meaning it’ll be here and gone. There’s simply no way that’s true.

My breakfast costs 60% more than it did 5 years ago and, odds are, yours does too!

Medicine, education, health care … the real cost of living is skyrocketing. Have you priced lumber recently? The $900 deck repair I put off a year ago is now a $3,200 undertaking; I put it off again.

Make no mistake, I do understand how shocking what’s happening is. I share your concerns because I feel the angst, too.

Fortunately, I’ve got just the solution.

General Mills (GIS).

The stock has gone nowhere…

… and nobody is interested in this company at the moment.

Exactly!

It makes perfect sense.

During that time we’ve lived through the tail end of the world’s longest-lived bull market, a complete realignment of global politics and, to top it all off, Covid-19. The markets are becoming more volatile by the day.

Yet, General Mills has maintained its margins, grown its customer base, AND continues to invest forward.

It’s an ideal way to protect and grow our money at the moment.

We’re talking about a global company with plenty of pricing power, a dedicated customer base, and a rock-solid portfolio of global brands. Some of the more popular include Pillsbury, Betty Crocker, Nature Valley, Yoplait, Cheerios, Old El Paso, and Haagen Daz. Each, incidentally, generates more than $1 billion in sales a year.

General Mills also owns Blue Buffalo which makes pet food and treats. It recently purchased Tyson Foods animal treats business for $1.2 billion. Pet foods were already a high-growth category before the pandemic but are now charging forward at double-digit rates.

This is a super savvy move to my way of thinking.

Eighty-five million U.S. households keep pets which means that one of every three homes has a pet. Expenditures have jumped from $17B in 1994 to a projected $109.6B in 2020. Estimates suggest that figure triples by 2027 to at least $358 billion. More than 43% of dog owners buy premium pet food, us included.

Management is keenly aware of the shift away from processed foods towards healthier eating and the company’s future profit potential reflects that.

Buy this 150-year-old “Steady Eddie”

Organic and natural food brands typically have higher margins and better sell through.

Management has a laser-like focus on key markets where it’s already got the scale and infrastructure needed to drive growth including the United States, Canada, France, the United Kingdom, China, Brazil, and India. This builds in critically needed defense against additional Fed Follies.

At the same time, General Mills is making a concerted effort to grow what they call their Global Platforms – cereal, pet food, ice cream, and Mexican foods which combined represented 45% of fiscal 2020 net sales.

Here’s the really cool part

General Mills has paid dividends without interruption for the past 122 years. The most recent quarter represents a 4% YoY increase from $0.49 to $0.51 per share. The yield is an attractive 3.22% while coverage is right around 48%.

Stable profits never sounded so good.

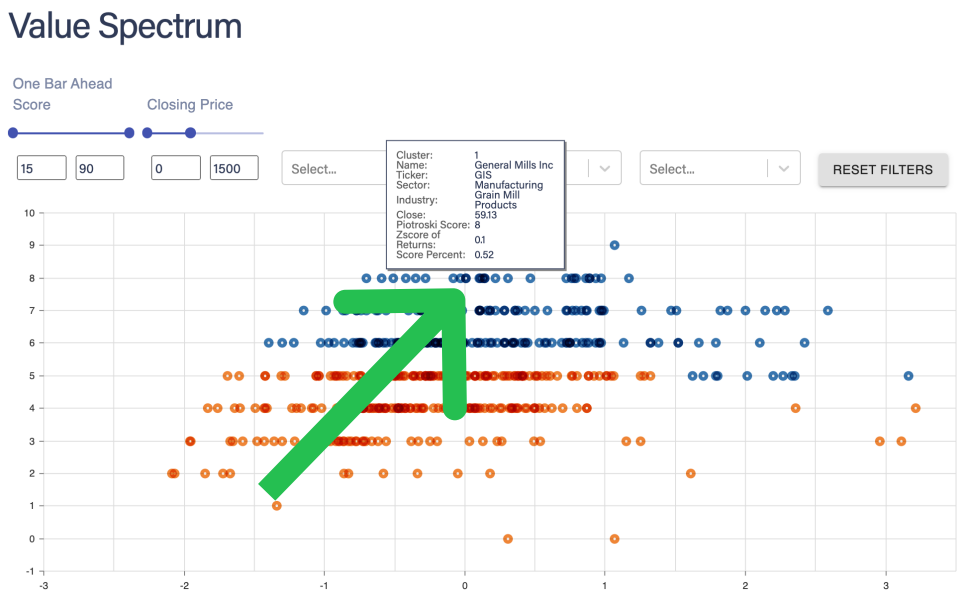
General Mills

Cereal, pet food, ice cream, and Mexican food? Sign me up!

Here’s what One Bar Ahead™, our proprietary analytics suite, says about General Mills.

The Universe

General Mills is right where I’d expect to see it. Smack in the middle of the chart. Like other stocks that have started in this area and in keeping with what my research suggests, I expect the company’s stock to track “up and right” over time.



Fundamentals

General Mills’ Piotroski Score has risen steadily over the past 10 quarters and now rates a healthy 8 of 9 possible points. That’s very consistent with my research and that of Joseph Piotroski himself, after whom the Piotroski Score is named. Improving Piotroski Scores are generally a precursor to higher prices.

Buy this 150-year-old “Steady Eddie”

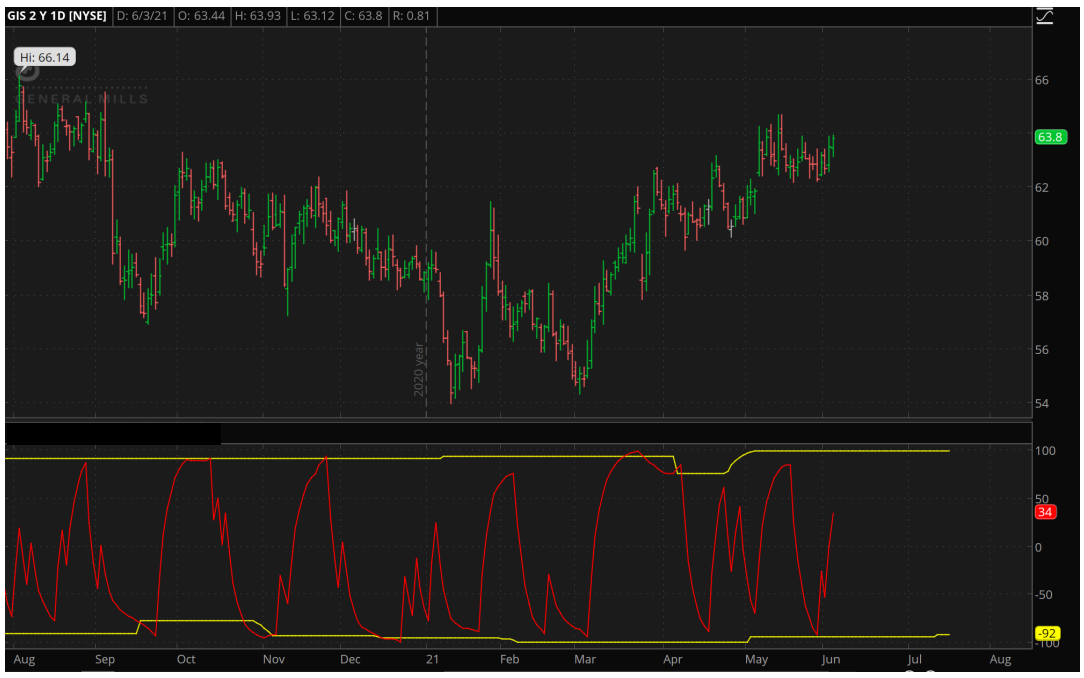
The MMI (Master Market Indicator)

General Mills’ MMI reading is middle of the road which means we have no decidedly quantitative advantage to buy or sell at the moment. So, once again, we’ll change up our tactics as a means of shifting the odds in our favor.

Remember, our goal here is stability.

We want to own General Mills because it’s a) a great stock with fabulous growth potential and a super dividend and b) because General Mills could provide much-needed protection/stability ahead of the Fed’s next move.

Building a base around $60 a share seems ideal to me.



Action to take:

Start nibbling into the stock anywhere below $64, with the ultimate goal of establishing a cost/share of around $60/share. Consider Dollar-Cost Averaging into the position as a way to harness any market related volatility this summer.

Tuck shares away in the Global Growth and Income segment of your portfolio.

Plan on adding to shares under $58 if the market gives us that chance.

Side note for Savvy Investors

DO NOT underestimate the power of stability!

Companies that pay dividends consistently and over long periods of time have been shown to fall less and recover faster whenever the markets trip up.

Having a chunk of your money in companies like GIS ensures that you have the freedom to take more speculative bets in other parts of your portfolio.

Dividends are not just about income, like most people think. They are an implied promise from management to reward stockholders by meeting or exceeding their objectives.

When a company has been around for 100+ years, you know they’re tapped into a megatrend (and the 5D’s). This is exactly the type of stability we want if the Fed’s next move derails markets.

Image credit: Food Business News

Chapter 4

2021: WHAT I'VE GOTTEN RIGHT (AND WRONG) SO FAR

6 month review

2021: 6-Month Review

Have I helped you make money?

I write today with one very important question on my mind...

Have I helped you make money?

I'm asking because I'm a firm believer in taking my own advice.

I counsel you to take a good hard look at the strategies you use, at your investments, and at your analysis so it only makes sense that I do the same thing.

Some people call this "transparency," but I call it "owning up."

Frankly, I wish more investment experts would own up – warts and all - because that'd go a long way to cleaning up Wall Street. Sadly, there's a snowball's chance in you know what that'll happen because they're too busy trying to steer you in a direction that boosts their profits at your expense.

I don't deserve the trust you place in me if I'm not helping you chart a path to profits. The way I see it, integrity is everything in this business.

Let's start with one of the strongest assertions I've ever made.

Did I get it right that 2021 will be a "Complete Reset?"

I raised a lot of eyebrows when we launched this past January saying that this year – 2021 - would be a complete reset and result in sharply higher markets. In fact, I noted specifically in the very first Morning! 5 with Fitz of the year that "2021 is far more important than just your average New Year."

Keep in mind, this was at a time when everybody "knew" Covid-19 was still a long way from over. Many people were convinced that there would be a huge selloff simply because the markets were climbing what they called a "wall of worry."

2021 is playing out EXACTLY as expected

There were very real fears that vaccines wouldn't work. The world was still very focused on shutting down rather than reopening as is the case now.

Fox Business Network Anchor Stuart Varney noted that he was very concerned about a repeat of 1999. So much so that he asked me point blank if I shared that concern during an appearance shortly ahead of the opening bell on the first trading day of the year.

"Not if I'm doing my job correctly," I said. In fact, I told him that I was "absolutely bullish ... if we get the vaccines out, if we have central banking being accommodative, and we have lots of people who want to get out and who deserve to be out. The world will recover." I put up a year-end target of 4,225 for the S&P 500 shortly thereafter.

Year to date, the SP500 is up 12.47% as I type.

The S&P 500 took out my annual target on May 7th, a mere five months into the year. Now, I'm thinking that 4,395 may be within reach.

Grade: A

2021: 6-Month Review

Was my take on buying the dips correct?

Yes. In fact, I counseled you when the year began that "there will be a few bouts of volatility, most notably during the first half of the year before the virus is brought under control." Each of which, I said, will be a buying opportunity.

Admittedly, I have one eye on the exits at this point. The Fed is clearly at war with itself and the prospect of rate hikes is a lot closer than it once was six months ago. I commented a few weeks ago that I believe the Fed will actually move tapering forward into the tail end of this year and that's a narrative I expect others to pick up in the weeks ahead.

Having at least a few shares in SH or RYURX is essential. So are stocks like General Mills (GIS) because of the potential stability they offers as we head into another set of Fed Follies.

Grade: A

Do I have the "Big Picture" right?

I shared this chart outlining the contributing factors I expected would play a key role in charting our course this year. It's held up well.

Four out of the five are coming into play exactly as expected.

2021 Will be One for the Record Books

- **Vaccine rollout**
- **Low interest rates + central bank printing**
- **Earnings better than expected**
- **Recovery trade → "stay out trade"**
- **Deurbanization**

The one hole if you can call it that, is that the recovery trade hasn't shifted to the "stay out trade" as quickly as I expected.

Perhaps naively, I assumed that politicians would truly have the best interests of our nation in hand rather than bickering with each other as a priority. I have no doubt we will ultimately get through this, but I have to keep myself honest.

Four out of five is a solid mid to high range result.

Grade: B

Did I get valuations correct?

Market historians and more than a few value-oriented investors will tell you that stocks are overvalued, due for a correction, hopelessly overpriced, etc. They're not wrong if you think looking in the rear-view mirror is a viable strategy.

History suggests the opposite is true, however.

I noted early in the year that "valuations remain high but are justified based on what will happen in the future rather than where the markets have been in the past."

That's certainly been borne out by the most recent earnings season. Just over 95% of S&P 500 companies have reported as I type and of those that have, 86% have reported positive earnings surprises with 76% reporting positive revenue surprises according to FactSet. What's more, the blended earnings growth rate is 51.9% which is the highest year-over-year growth reported since Q1 20210 when that figure stood at 55.4%.

Critically, staggering 54 companies have issued positive earnings guidance which is nearly 2X those that have issued negative guidance. That's the part that really interests me.

CEOs have to make decisions with real money they earn whereas politicians make decisions with money everybody else earns. The fact that they're charting a higher path ahead means we should be, too.

Grade: B; The exam isn't over yet

2021: 6-Month Review

Is my insistence that global growth will be critical still on track?

Once again, the data reflects that's the case.

Seven of the eleven sectors making up the S&P 500 reported higher earnings for those companies with at least 50% of revenues outside the United States.

Not surprisingly, information technology stocks as a whole are the front runners with an average of 57% of revenues coming from international markets.

What's more, the blended revenue growth rate for companies with more than 50% of revenues coming from overseas is 16.2% versus just 8.2% from those with more than 50% of revenues coming from within the United States.

You wouldn't be alone if you presupposed the bulk of that is coming from Europe but that's actually not true. In fact, companies like Apple that had greater Asian/Pacific Rim exposure of more than 25% showed revenue growth of 21.6%. So we're talking 2X US versus everybody else but 2.64X when you throw the Far East.

Financials were another key takeaway and, as expected that was great for JPM and Visa alike. Revenues were up just 3% but earnings industry growth was 258% on average as a result of massive reductions in loan-loss provisions.

You could argue that's an artificial construct and many have but I don't see things that way. Global growth is very real because digital banking transcends borders.

It's Digitalization, Dislocation, and Distribution all tied together. Or, put another way, 3 of the 5 "D's."

I see that accelerating into 2022 as the world catches up to the recovery and reopening here.

Grade: A

Did we get the timing right?

For the most part, yes. We've made the right moves at the right time with the majority of our recommendations so far, but I am acutely aware that it doesn't feel that way with BBIO, SDGR, TSLA, and AFRM.

There's no question short-term pricing action for growth-oriented companies is disconnected from longer-term profit potential. History suggests that's nothing more than a temporary situation. It's scary, it's uncomfortable … there's no denying that it doesn't feel good.

Like Sir John Templeton, we've purchased each of those companies at the points of what he called "maximum pessimism" when the upside potential is far greater than people realize even if prices are far lower than we like.

The data more than support the moves we're making.

Grade: C+ if graded today but I expect this to be an A within the next 12-24 months at the very latest.

Holding onto some names seems scary, unstable, and uncomfortable at the moment but there is no doubt in my mind doing so will turn out to be a GREAT move!

2021: 6-Month Review

Is my take on inflation appropriate?

I suggested in January that inflation would be a foregone conclusion and that the real surprise for most people would be that yields do not rise much over present levels. “Central bank meddling will keep rates lower longer than expected,” I said.

Ten-year yields remain at just 1.59% as I type and not surprisingly, traders remain on the gas for the most part despite periodic knee-jerk selling when they’re keen to avoid margin calls *a la* Achegos which blew up spectacularly earlier this year.

The Fed has already caused the next three crises which, ironically enough, is neither here nor there. I’m planning on using that situation as an opportunity ever chance we get.

Price is what’s actually transitory, not inflation like the Fed thinks.

Be sure to re-read the exclusive interview with Dr. Mark Mobius in the March OBA. The key to moving ahead is to buy companies with margin protection capacity built into the continually improving products they make and the services they sell.

Meanwhile, grin and bear it. What we feel in our wallets is very different.

Grade: A-

Did I get deurbanization/REITs right?

For the most part, yes. I told you that deurbanization would be a significant threat as rent rolls fall, stores, restaurants, and malls close … many never to reopen again. That’s the case in huge swathes of the country as a result of three primary drivers including Covid-19, civil unrest, and political challenges.

I have not recommended any REITs yet but know that many members of the OBA Family have ‘em, especially if you’re income-oriented. I noted that your best choices, under the circumstances, would be very specialized holdings including government/high tech and med tech related holdings.

However, the fall in Class A-related office space REITs I anticipated has not yet happened. Big tenant companies have abandoned/renegotiated huge swathes of office space but valuations continue to reflect an optimism that there will be a return to normal. Similarly, I underestimated the suburbanization of America where property values have been on a tear.

Meanwhile, I’m waiting for a pullback to re-recommend my favorite very specialized REITs.

Grade: B-

Was my take on gold on target?

Yes. I said that the re-opening trade and rise of cryptocurrencies would interfere with bullish projections for higher prices many held at the time. You’d be better off in just about any other asset class, I observed.

Most investors should own gold

2021: 6-Month Review

Gold is down -3.65% year to date from $1,943.20 to $1,872.28 as I type. Silver is about breakeven at $27.44 an oz. I don't see that changing any time soon; much of the speculative pressure that's been there in the past went into crypto and has subsequently gone into so-called meme stocks.

Still, most investors should own gold. What's more, the vast majority could easily double their holdings and not have enough. Studies suggest that 2% - 5% may help dampen overall portfolio volatility significantly. You've got to buy "right" though; there are a lot of hustlers out there.

Please call Rich Checkan and his team at ASI if you'd like to learn more. To be absolutely clear, I receive no commissions or payments whatsoever for recommending ASI. I've known the company's principals for years and trust them. 800.831.0007.

Grade: A

Did I get Bitcoin correct?

Tough call.

I noted in the January Outlook specifically that Bitcoin could finally come into its own this year but *not* because it's a great investment. That caught a lot of folks by surprise, and I got a lot of pushback as you might imagine.

Prices, I said, "could go sharply higher just as easily as they could go sharply lower with no advance warning." I counseled you to minimize risk by keeping positions small and investing a little at a time which is exactly what I am doing with my own money.

There's definitely a role for cryptocurrencies but the implied stability I saw emerging remains a function of market manipulation. Between China clamping down, Musk tweeting, and celebrities bragging about their holdings, volatility has risen substantially.

I was caught off guard, though, when companies like Tesla, Square, and MicroStrategy bought Bitcoin *en masse*. Normally that's a treasury function related to actual currencies but evidently, virtue signaling is now an acceptable corporate wealth-building tactic.

Their entry has caused a substantial increase in volatility across the board. The very same institutions that have been building crypto infrastructure are undoubtedly hedging it and developing highly synthetic instruments to trade it behind the scenes.

Nobody knows who owns or doesn't own what which means it's very much a danged if you do, danged if you don't proposition. Bitcoin has fallen by nearly half since February 16th while Ether is off 40% or so since mid-May.

I believe both Bitcoin and Ethereum will be back as the world moves towards digital currencies which is why I encourage shares in JPM and Visa at one end of the spectrum and a super small .5% or less built over time in both Bitcoin and Ether. That said, there's beginning to be some clarity on Ethereum which could be where all the action is.

I'm still nibbling in with my own money but hating every last minute of the experience as I watch prices drop for now.

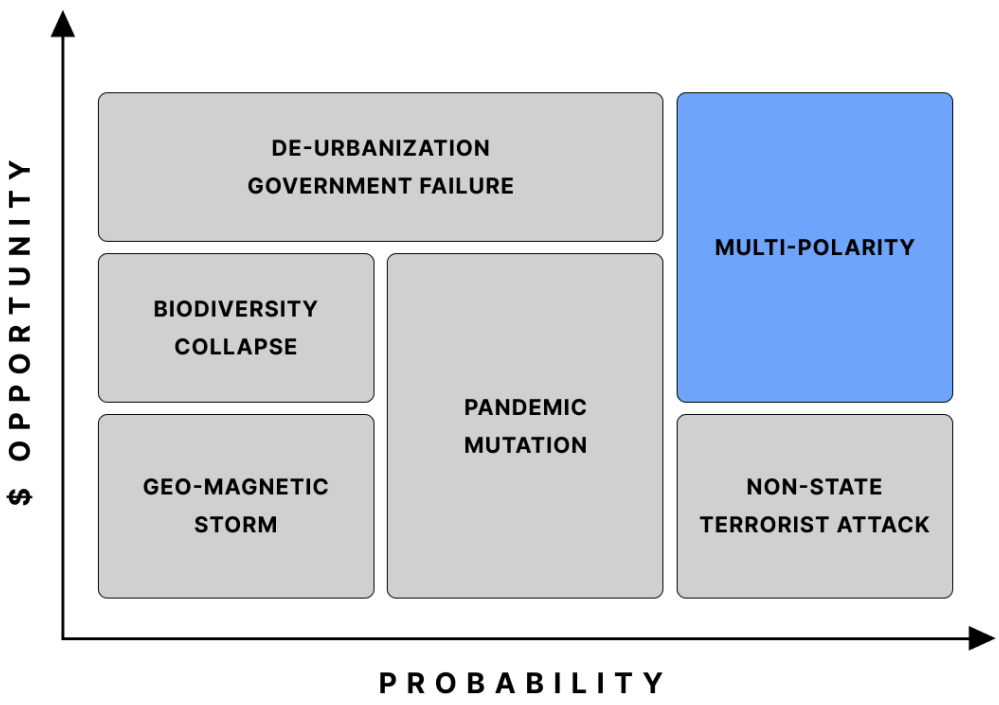
Grade: A/C-

Was my take on Wild Cards on the money?

I outlined several critical Wild Cards in the January issue for the simple reason that planning for profits includes identifying risks that could potentially knock you off course. Then, figuring out how to avoid 'em.

Importantly, I also noted that every Wild Card is a massive opportunity if you have the right mindset. And we do.

2021: 6-Month Review



1 – Pandemic mutation – this is really self-evident at this point. Many people are racing towards reopening but science makes it abundantly clear that the real goal must be stopping COVID-19 before it mutates into something beyond our current medical technology. I am watching Brazil, India, and South Africa very closely because those countries are but one mutation away from "spill-back" transmission.

Pfizer (PFE) and Gilead (GILD) are both performing as expected and, critically, both are already taking what they're learning and applying that knowledge to the balance of their medical portfolio. They're "Virus+" in the truest sense of the word and it's important we think about 'em in those terms.

2 – Multi-polarity – I specifically called out China noting that a move to a global reserve based on the Yuan is far closer than the West thinks.

Not surprisingly, I was anything but taken aback when that country began flexing its digital muscles and clamped down on cryptocurrencies.

The game is on.

3 – Geomagnetic/Solar Storms – thankfully, this has not happened but everything I see, read and hear from serious scientists is that earth is long overdue. All things digital from your garage door opener to your iPhone could get whomped.

Short of living in a ginormous Faraday cage, there's not a lot we can do.

4 – Biodiversity collapse –Just 15 crops account for a staggering 90% of the world's food energy intake. I am actively hunting for an edge here but, so far, haven't been able to identify one. Beyond Meat (BYND) is a start but the stock is nowhere far enough into the food chain to be appetizing – multiple puns intended! 😊

5 – Non-State terrorist attack – Talk about hitting the nail on the head. The Colonial Pipeline attack shut down the entire Eastern Seaboard in a single fell swoop. Non-state terrorists increasingly do not respond to antiquated "just-cause" dictums like proportionality and conditional action. It's a multi-trillion opportunity that we're already on top of with Palantir (PLTR) and Microsoft (MSFT). There will be more companies to follow for what should be glaringly obvious reasons.

Grade: A

In closing, I hope you've enjoyed reading today's retrospective as much as I've enjoyed writing it. Looking back is always an important part of profiting forward.

KF

Chapter 5

PORTFOLIO REVIEW

Plus, this month’s OBA 50

Portfolio Review (June 2021)

May was relatively quiet from a news perspective which strikes me as particularly ironic given how volatile the markets have been lately; 70-100 points swings now seem to be the norm, rather than the exception.

What's important, and what I'm really proud of frankly, is the fact that so many of you had the confidence and the ability to see every major swing as an opportunity, rather than a big scary "poop your pants" moment like the vast majority of investors. I received quite a few kind emails, notes, and messages telling which stocks you'd bought on dips and why. Some of the names mentioned most often included Microsoft, Apple, Palantir and BSTZ to name a few.

Fantastic job and, again, kudos to all of you!

It's not easy to take advantage of situations like this when every bone in your body is telling you to bail, but it's important to constantly hunt for unique opportunities. Buy low, sell high is how the game's played and wealth gets built!

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.

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 was one of the more popular names that everyone picked up "on sale" at or around the $122 mark, which is some very savvy maneuvering. Additionally, a number of you reported that you took advantage of the increased volatility to sell covered calls when premiums were skyrocketing.

Amazing stuff - well played!

Apple's new service SignTime has my attention at the moment. SignTime allows customers to communicate with AppleCare using several sign languages right from your browser. I think this is going to be expanded quickly across the entire wearables line and as an add-on for other companies wishing to communicate using signed services.

continued. →

Portfolio Review (June 2021)

Apple is holding their annual WWDC (World Wide Developers Conference) on June 7th, and I'm going to be paying close attention. This is the company's more "pro" oriented conference and usually where Apple announces new operating systems, pro computers, and the like. I'm particularly interested in the rumors related to HomeOS, a key driver for their expansion into home tech, and new insights into the 100+ million wearables they're on track to sell.

Watch out, Alexa. Siri is on the move!

My target remains $200 a share within the next 12-24 months. Buy/add below $130

JP Morgan (JPM) – JPM is a shining star of late, tacking on another 5% during the month while many other stocks were either flat or negative. I don't expect this to slow down anytime soon as the world reopens and spending resumes *en masse*.

The bank has a fortress-like balance sheet and is growing dividends 15% or so a year. The last time I looked, JPM has increased dividends for 8 years running at this point.

Importantly, Jamie Dimon has also come out with a statement that he hasn't changed his views on Bitcoin but has conceded to offer Bitcoin-centric financial products in response to significant demand from clients. I suspect his reluctance comes from his inside perspective of China's e-CNY and the fact that it's so close to widespread use.

My target remains $200 a share within the next 12-24 months. Buy/add below $135 or sell cash-secured puts to get paid to go shopping.

Microsoft Corp (MSFT) – The Colonial Pipeline attack was hot news and Microsoft is the somewhat unknown, but logical play here. The company's security business is growing at 40% a year and may represent $12+ billion this year. Microsoft's systems reportedly blocked 6 billion threats last year alone while their customer base grew by 90%.

My target is $300 per share within the next 12-24 months. Buy/add below $240

Global Growth and Income (40%)

BlackRock Science and Technology Trust (BST) and BlackRock Science and Technology Trust II (BSTZ) – BST and BSTZ saw a lot of sideways action this month as a function of the overall tech market and the constant leveraging/deleveraging cycle associated with rates. Both continue to be solid choices for investors in search of great upside and income.

It's worth noting that BSTZ is trading at a 4.58% discount to NAV (net asset value) as I type. Gotta love a good deal!

BST: Buy/add below $51

BSTZ: Buy/add below $35

BlackRock Innovation and Growth Trust (BIGZ) - BIGZ has been relatively flat as well. That's to be expected as they build out the portfolio. While management has not announced a payout yet, I'm expecting something in the neighborhood of 4-5% - which puts it on par with BST and BSTZ.

Gilead Sciences (GILD) – Gilead was recently named the NASDAQ 100's Top Dividend Stock, which is understandable with the company's healthy 4.2% dividend yield. That's 2.47x the NASDAQ average of 1.7%. I hope you're on board because that kind of recognition can provide a nice tailwind.

If you still haven't gotten on board or want to add shares, the window is still open. As of writing, GILD's PEG ratio (Price to Earnings Growth Ratio) is just 0.74. Anything below 1 is considered a bargain for anticipated growth.

Incidentally, management is also saying that they're seeing Veklury (formerly known as Remdesivir) being used in roughly half of all patients currently hospitalized with COVID-19 in the US, and they've donated 250,000 doses for use in Indian hospitals.

My target is $88 a share within 12 months. Yield remains a compelling 4.33% meanwhile.

Portfolio Review (June 2021)

NEW **– General Mills (GIS)** – This is one of two "Steady Eddie" picks for the month, with margin protection from the Fed's follies through food and pet treats. GIS is also a reliable income play, having paid out a dividend for a staggering 122 years and counting. Turn to Chapter 3 for the full write-up.

NEW **- McDonald's Corp (MCD)** – (In my best TV Announcer voice) McDonald's is the world's first post-pandemic category killer, and the company's digital transformation has OBA written all over it. Turn to Chapter 1 for the full write-up. If nothing else, their "dividend aristocrat" status alone is drool-worthy!

Palantir Technologies Inc. (PLTR) – Palantir is finally catching a bid – meaning, the stock is rising because of buying.

The company reported a staggering 49% revenue growth, and I expect that to continue for many years to come with the growing number of "sticky" contracts they're landing. One such contract that interests me is a $111 million deal with USSOCOM, the command entity of U.S. Special Operations. SOCOM, if you're not familiar with 'em, has a virtually unlimited budget. If this project goes well (and I suspect it will) future contracts will be many times that size which bodes well for the stock.

Price target: $50 a share within 24 months and $100 five years from now. BUY/Accumulate. Continue selling covered calls if you can, to lower your basis.

Pfizer Inc. (PFE) – Pfizer came out with a "surprise" revision of their full-year sales expectations to $26 billion, from the previous average forecast of a "measly" $15 billion. I see this topping $30 billion next year as booster shots and global distribution continue.

One such contributor to this number is their freshly inked deal with the EU to potentially supply another 1.8 billion doses of their vaccine.

My price target is $50 inside of 12 months. Meanwhile, a 4.0% yield isn't too shabby! Buy/add below $35

Waste Management Inc. (WM) – WM had a nice pullback in the early part of the month as I suggested may be in the cards when I recommended it. If you were prepared, that would've been a great entry. The chart seems to be "basing" around $140 and I wouldn't be surprised if it runs higher in the summer as the world reopens and construction projects resume across the board.

My price target is $160 within a year. Yield, in the meantime, is a solid 1.64%. Buy/add below $130

Visa Inc. (V) – Visa continues to be a top pick as the world reopens, travel picks up, and spending resumes. I'm particularly focused on international spending, as any uptick in that department will provide a nice boost for the stock. Visa's already back on track with their pre-COVID growth expectations, and that's with international spending down. Imagine what will happen when travel between affluent countries resumes!

Visa also announced an expansion of Visa Fintech Partner Connect, a program designed to "help financial institutions quickly connect with a vetted and curated set of technology providers". In non-corporate speak, this loosely means they're making it easier for Visa partners to use each other's services, further solidifying their brand loyalty under the VISA umbrella.

My target is $260 24 months from now. Yield is 0.55% meanwhile. Buy/add below $212

Zingers (10%)

Affirm Holdings, Inc. (AFRM) – Affirm got hit hard as a result of the Peloton treadmill recall fiasco, but the recent selloff doesn't reflect the entire story. The company's doubled its active merchant count to 12,000 in Q1 and expects that number to increase substantially in Q2 and Q3 as AFRM gains traction in Shopify stores.

That being said, I've revised our price target to $90, and encourage you to sell covered calls at $90 if you're comfortable doing so. HOLD.

BridgeBio Pharma Inc (BBIO) – BBIO recently received FDA fast track approval for an investigational gene therapy for congenital adrenal hyperplasia, which puts them one product closer to the markets. Remember – their hub and spokes model is designed so that any of these wins contributes to the big picture, and this approval puts them one step closer to another home run.

UBS has also initiated coverage on BridgeBio with a "buy" rating and a similar price target of $80. Nice to know we have company! The price also briefly dipped below $50, giving us a nice chance to add a little bit and ride it up to $55, where it sits as I write.

Consider it HOLD for now, though.

My target is $85 a share within 12-24 months, perhaps more.

Schrodinger (SDGR) – I've revised SDGR's price target to $80 and consider the shares a HOLD.

For the options-savvy, consider selling covered calls at $80 to "guarantee" yourself an exit if the markets allow that. Longer term, SDGR is still aggressively funding their R&D pipeline for technology and drug discovery and I think that'll pay off nicely when the time comes.

My target is $80 a share. Hold/add below $60.

Tesla Inc. (TSLA) – Tesla experienced a whipsaw month as a result of volatility in the crypto space, along with rumors that they sold out of their Bitcoin position.

That's all noise.

The reality is that Tesla is much bigger than its Bitcoin holdings, Musk's tweets, or anything else the media may be focusing on. It's important that you don't lose sight of the prize.

There were two developments during the month that caught my eye:

First, the U.S. Senate Finance Committee passed a new Bill which provides an increase in tax credits for EVs assembled by U.S. Union workers to up to $12,500. This is a substantial increase from the current maximum of $7,500 that can be claimed by car buyers and lowers the barrier to entry even further.

Second, as a response to the ongoing global chip shortage, Tesla is exploring options to buy their own fabrication plants according to Financial Times. This is completely in line with Musk's approach to building and owning vertical manufacturing stacks like we've seen with SpaceX.

Price target is $1,000 a share 12-24 months from now. I may revise that so please do keep an eye out just in case.

NEW - Tencent Holdings (TCEHY) – We're adding Tencent to our portfolio this month as a play both for and against the U.S. Dollar. The company has massive profit potential and is key to China's plans for a digital Yuan. See Chapter 2 for more.

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 non-correlated choices like these can give you the freedom to maintain a more offensive posture than you would 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%.

Portfolio Review (June 2021)

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 VIX Futures Index, not the VIX itself like many people think. It's a way to buy "volatility" without engaging in futures trading directly. There is some degradation because of the leverage involved and because the fund continually rolls futures contracts at a loss. Over time, it will lose value.

That's why I suggest you use the UVXY more opportunistically than as a semi-permanent or ongoing hedge like either the RYURX or SH. Examples including buying UVXY before a holiday weekend if you fear a selloff for any reason or when the risk of terrorism is high. Bad medical news suggesting Covid-19 mutations are outrunning medical technology would be another potential reason to buy it. Hold for days at a time, not longer.

Cash Alternatives

Buy BTC and ETH - split your investment 50/50 between the two. Dollar cost average in a bit each week or every month on a regular schedule until your total cryptocurrency allocation is roughly 0.5% of total investable assets.

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

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 (June 2021)

OBA Model Portfolio

Data as of 5/31/2021

	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	$ 124.61	0.69%	-5.6%	25% TS	$ 200.00	Add below $130
	JPM	1/14/21	$ 141.17	$ 164.24	2.32%	16.3%	$105	$ 200.00	Hold/add below $135
	MSFT	3/5/21	$ 226.73	$ 249.68	0.90%	10.1%	25% TS	$ 300.00	Hold/add below $240
Global Growth and Income	GILD	1/11/21	$ 62.51	$ 66.11	4.33%	5.8%	25% TS	$ 88.00	Hold/add below $60
	PFE	2/5/21	$ 34.92	$ 38.76	3.90%	11.0%	25% TS	$ 50.00	Hold/add below $35
	BIGZ	5/7/21	$ 20.17	$ 20.04	0.00%	-0.6%	25% TS	None	Add below $21
	BST	2/5/21	$ 58.16	$ 57.74	4.77%	-0.7%	25% TS	$ 70.00	Add below $51
	BSTZ	2/5/21	$ 39.31	$ 37.74	5.54%	-4.0%	25% TS	$ 55.00	Add below $35
	GIS	6/4/21	NEW	$ 63.80	3.25%	0.0%	25% TS	NEW	Buy/Add below $64
	MCD	6/4/21	NEW	$ 232.45	2.22%	0.0%	25% TS	NEW	Buy/Add below $230
	V	4/7/21	$ 219.27	$ 227.30	0.55%	3.7%	25% TS	$ 260.00	Buy/ Add below $212
	WM	4/7/21	$ 132.41	$ 140.68	1.63%	6.2%	25% TS	$ 160.00	Buy/ Add below $130
	PLTR	1/8/21	$ 25.20	$ 22.95	0%	-8.9%	None	$ 50.00	Add/Accumulate
Zingers	AFRM	1/14/21	$ 114.85	$ 60.81	0%	-47.1%	None	$ 90.00	HOLD
	TCEHY	6/4/21	NEW	$ 78.35	0%	0.0%	25% TS	NEW	Buy/Add below $80
	TSLA	5/7/21	$ 672.37	$ 625.22	0%	-7.0%	25% TS	$ 1,000.00	Add below $600
	SDGR	4/2/21	$ 78.53	$ 70.18	0%	-10.6%	None	$ 80.00	Add below $68
	BBIO	3/5/21	$ 62.52	$ 59.20	0%	-5.3%	None	$ 85.00	Add below $50
Hedges/Inverse	SH	2/1/21		$ 15.77	0.00%		None		HOLD
	RYURX	2/1/21		$ 32.40	0.47%		None		HOLD
	UVXY	2/1/21		$ 36.16	0%		None		Opportunistic

OBA 50

Ticker	Name	Ticker	Name	Ticker	Name
AAPL	Apple Inc	GOOGL	Alphabet Inc	ROKU	Roku Inc
ADBE	Adobe Inc	JNJ	Johnson & Johnson	RTX	Raytheon Technologies Inc
AFRM	Affirm Holdings Inc	JPM	JPMorgan Chase & Co	SDGR	Schrodinger Inc
AMAT	Applied Materials Inc	LOW	Lowes Companies Inc	SQ	Square Inc
AMD	Advanced Micro Devices In	LRCX	Lam Research Corp	TCEHY	Tencent Holdings ADR
AMZN	Amazon Com Inc	MA	Mastercard Inc	TGT	Target Corp
AVGO	Broadcom Inc	MCD	McDonald's Corp	TMO	Thermo Fisher Scientific Inc
BBIO	BridgeBio Pharma 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	ZS	Zscaler Inc
GILD	Gilead Sciences Inc	QCOM	Qualcomm Inc		

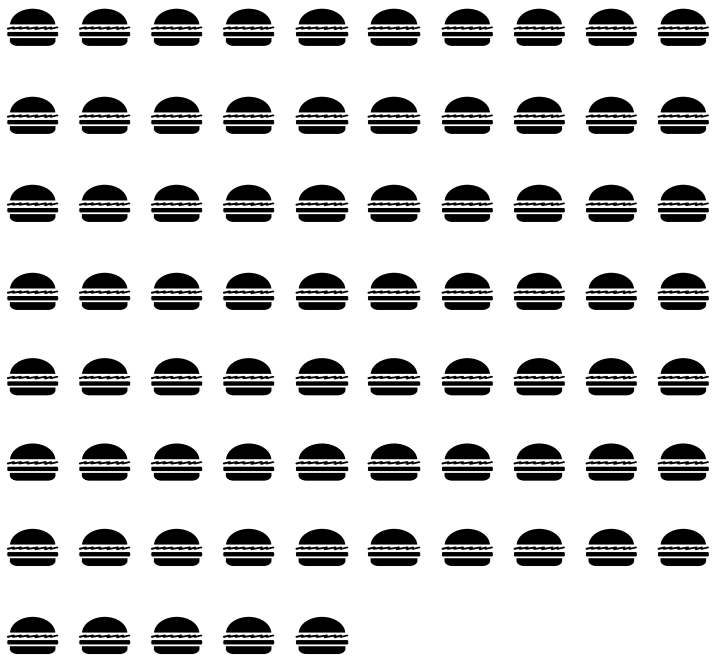
Chapter 6

THE “FASCINATORS”

Unexpected Pros & Cons of Reopening

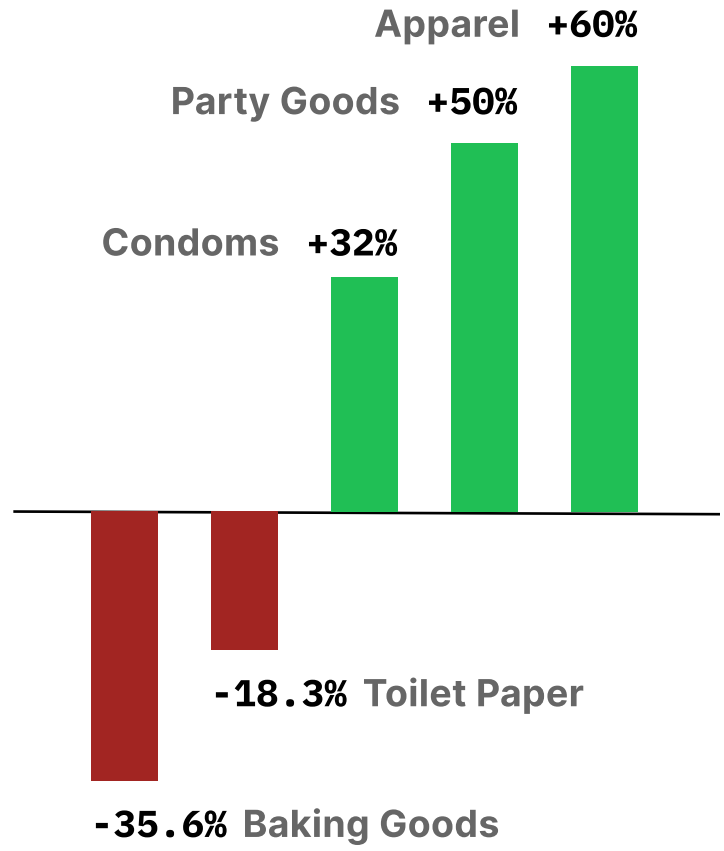
THE “FASCINATORS”

Pros



McDonald's makes 75 burgers a second

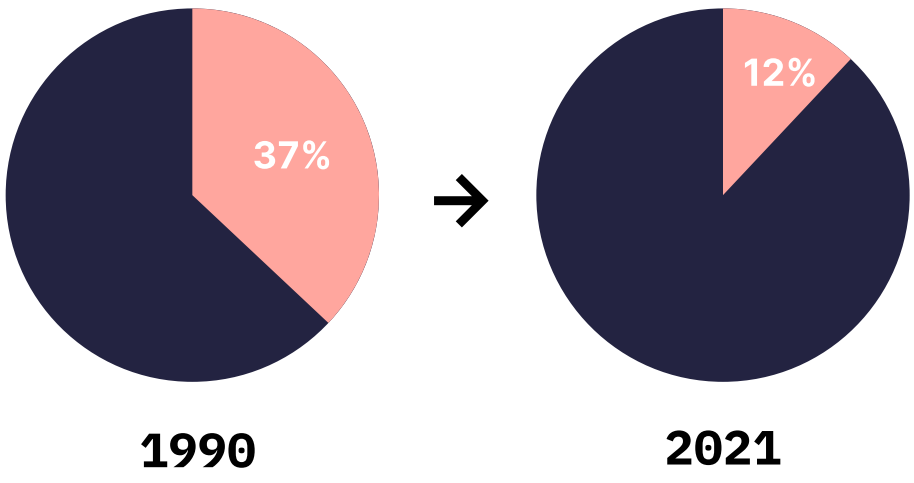
Assuming an average of 417 calories/burger, that’s 31,275 calories. No fries with that.



Purchase data shows that Americans are celebrating the end of the pandemic

(YoY purchase volume)

Cons



U.S. Semiconductor capacity has fallen to 12% of global output down from 37% in 1990

11m+ Americans could lose their homes when COVID-related eviction bans are lifted, which is the combined populations of New York and Chicago

Chapter 7

KUNI'S CORNER

Why asking the right questions can set you up for life (and big profit potential)

Kuni’s Corner

Hi, I’m Kuni!

Chances are you may have heard my name in passing or seen a few of my replies to members of the OBA Family. Perhaps I’ve even helped you with your subscription.

I’m writing today because a number of you have asked for my perspective on what it takes to be a successful younger, new investor in today’s world.

What an honor – I will do my very best!

Success starts by asking the right questions and making conscious, thoughtful decisions based on the answers you receive.

This is something I happen to know a little bit about.

I started fencing at the age of 9, placed top 8 in my first U.S. national tournament at 13, and was invited to join the Japanese National Fencing team at 15. I left home at 16 to compete on the International World Cup circuit as a fully sponsored professional athlete.

By the time I was 21, I’d visited ~25 countries and was fortunate enough to enjoy great results in a number of World Cup and Grand Prix events … all before many of my friends had finished high school and college.

I still have no idea how I did it, but I also managed to finish high school a year and a half early and graduate from Gakushuin University in Tokyo which I attended simultaneously between competitions!

I began investing and trading seriously during my freshman year, much as Dad did.

I learned very quickly that I could struggle, or I could simply make better goal-oriented choices. The former is what most people do, but the latter is what every successful athlete does.

Hi, I’m Kuni

Investing is much the same. Most people struggle because they fly by the seat of their pants. They try to do what everybody else is doing, when the better and more profitable course of action is to understand what really works for yourself and then rigorously practice that.

Victory goes to the prepared, in both fencing and investing.

You’ve got to decide what your goals are before you start into the markets. Otherwise, you’re going to get separated from your money by bigger, more sophisticated, better-capitalized traders.

Everything starts with the right perspective.

I used to get really upset by daily volatility, for example, but now treat it as an opportunity because I understand the bigger picture and the profits being created. I can look beyond the daily noise if that makes sense.

The Road to Success IS within Our Reach

The right perspective is a framework for success which is why it's important to think about it that way. Doing so helps you capture big winners when the markets are going your way and minimize losses when they're not.

Keeping things super simple helps, too.

Contrary to what a lot of folks believe, it doesn't matter very much what app you're using, how much money you're putting in, or how often you trade or invest. Find what works, understand why ... then do it as often as you can.

Growing your money becomes relatively easy if you can focus on the future.

What's a hot stock right now?

I get asked this a lot as you might imagine, and my answer is almost always the same.

That's the wrong question.

Asking what a "hot" stock is right now and buying it is exactly like jumping off a bridge just because everyone else is doing the same thing. Chances are that you won't like the landing.

The far more profitable question and the one you want to ask is "what's still going to be around in 50 years and which companies are going to make what we need between now and then?" That's followed by "how much money is going to be spent making it happen and by whom?"

My thesis is very simple – everything comes down to information and specifically to Digitalization. Not coincidentally, you hear Dad talk about that often because there are trillions of dollars on the line.

Advances in genomics and health revolve around learning how to read human data. Apple's ecosystem is about the distribution and interaction with data. Tesla is about using information to optimize human transportation and rewiring the electric grid, not just cars.

Microsoft Office products are about aggregating and packaging information to be as efficient as possible. Palantir is the glue that holds complex, siloed systems together in a unified form.

See where I'm going?

Find something that you know to be absolutely true no matter what, and the rest of it will fall into place.

"Hot stocks" come and go but profits are forever.

How concentrated should my portfolio be?

This is another question I get quite often and totally understandable.

Wall Street preaches the virtues of diversification but that's really a cop-out. I'm not aware of a single building named after a diversifier but stories abound when it comes to people who have made very concentrated bets and who've become fabulously wealthy because they did.

When you're starting out, you usually don't have millions of dollars to use.

I don't either... yet.

For me, this question really comes down to how comfortable you are with your money and the perspective I've just mentioned. Stanley Druckenmiller, who famously "broke the bank of England" with George Soros notes that if you have a trade idea that's really good, there's absolutely nothing wrong with making hyper-concentrated bets.

My research, which builds upon Dad's, favors owning concentrated names over buying a big-name fund any day simply because of the asymmetric upside offered. That's, in fact, where the OBA recommendations come from ... we know those companies are going to do a lot better over the next 50 years than crappy stocks that are often bundled into funds or the indices.

The Road to Success IS within Our Reach

It really does make sense to own the best and avoid the rest.

Where do I learn?

One of the wonders of the Internet is that it's easy to find information. But like many things these days, it's a double-edged sword.

The ratio of good, usable information to bad, scammy information is about 1 to 4 in my experience. A simple gut-check can help you sort out which is which. Odds are good that if something is "free" it's that way for a reason because the old adage you get what you pay for is very true.

The other thing to look for when you're trying to sort out what's what and who's who is knowledge. A real expert like Dr. Mark Mobius, or the legendary Jim Rogers will share knowledge and explain the rationale behind their decisions with decades of facts and experience – not just stock picks.

Dad's a pretty great example in that regard. People have followed his work for decades in some cases and that doesn't exactly happen by accident. Millions of readers, subscribers, and viewers trust him because he places a priority on teaching people the why and how in addition to the what.

Profits inevitably follow.

How quickly will I see returns?

Ah... the infamous "how quickly will I get rich" question.

The problem is that most people get interested in investing because they think it's a great way to get rich quickly when that couldn't be further from the truth. Fast profits happen, but that's the exception, not a norm.

So-called meme stocks are a great example. Millions of people have piled in and quite a few have made decent money. What you're not hearing about is how many have gotten blown out.

Companies take time to grow; by proxy, your account will too. I think it's wise to learn how to do things the right way because doing so will give you the knowledge and financial strength to outlive short-term market noise.

There are no shortcuts except through knowledge.

The other thing to think about is consistency rather than outright returns in the beginning.

One of the most important lessons I learned was to focus on making a small amount of money consistently. Then, to scale up.

When you can do that well, time becomes your friend. The big profits you once dreamt about when you first started out will become reality over time as your knowledge, understanding, and skills increase.

Closing Thoughts

The road to investing success is absolutely within our reach. It doesn't matter whether you have a little money or a lot, whether you're starting out or completing a journey many years in the making.

I don't buy off on the sentiment that new or even young investors have no clue any more than I doubted my ability to hold my own against Olympic and World Cup fencers double my age with multiple medals to their credit.

I'm on the road with you and we WILL succeed!

Thanks for reading along.

PS: If you'd like to know more about starting out or investing from a younger perspective, please let me know. After all, it's been a while since Dad's been a "beginner" :)

magazine@onebarahead.com

ASK KEITH

Get your questions answered!

Ask Keith

Q: I've just joined the One Bar Ahead Family. I understand I should buy new recommendations and "add" where appropriate. Do I purchase "hold" rated stocks, too?

- Peter S.

A: Welcome! That's an important question, Peter.

No. Generally speaking, I've moved stocks from "Buy/Add" to "Hold" because the price has fallen unexpectedly or there is a change in the company's fundamentals. In some cases, it could also be because the stock is simply being subjected to other cross currents like social memers, for instance.

Q: Can you recommend a dividend ETF that will keep up with some of the dividend-producing stocks you've recommended? I understand why dividends and growth are critical and want to boost that segment of our investments (even though it's outside the OBA Model Portfolio)

- Ruben and Ela V.

A: First, thanks for asking!

The combination of dividends and appreciation is hard to beat and recognizing that gives you a real leg up on those who do not. That said, I have never seen a dividend fund or ETF that raises dividends consistently like stocks I've recommended already and am likely to recommend in the future. That could change, of course, but so far I have not encountered a fund that can keep pace.

You're not out of luck, though. BST and BSTZ are super close seconds. Both funds sell covered calls as a means of enhancing yield. Right now prices reflect a juicy 4.69% and 5.42% respectively according to Yahoo! Finance.

Q: I don't have a lot of money to invest all at once. In fact, I consistently invest anything from $100 to $500 a month. Is this appropriate?

- Deanna N.

A: Well done, Deanna!

You have an incredible advantage in that you are investing consistently. Most people tend to buy stocks the way they buy washing machines … all at once.

As you may know, I cannot give personalized investment advice because I don't know your individual circumstances, risk tolerance, and objectives – but putting whatever you can to work each month is a great way to build wealth over time. Doing so spreads risk but also allows you to naturally harness the periodic volatility that gives others fits.

It's also a great way to ensure discipline even though emotions may be running high.

Q: I am super concerned about another crash. I am scared I'll never make any money if it happens, let alone recover.

- Dan A.

A: You're not alone, Dan. The world is a complicated place right now, and we need to invest with one eye on the exits at all times which is in good measure why I've made the recommendations I have in this month's issue.

I find thinking about history in chunks helps.

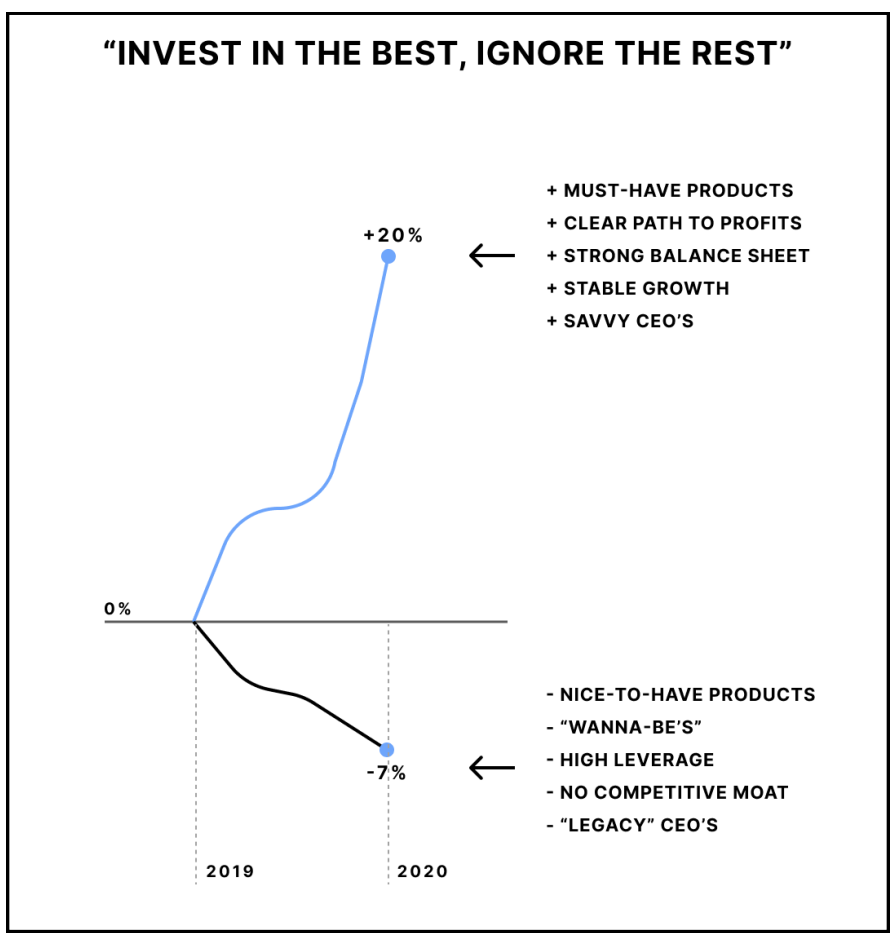
There have been seven rolling ten-year chunks since 1937 when the markets were not positive: 1937, 1938, 1939, 1940, 1946, 2008, and 2009. Not surprisingly, you would have had to sell into one of 'em to lose money because the remaining chunks – all 84 of 'em - were positive.

Ask Keith

Contrary to popular belief and perma-bears who shall remain nameless, you CAN make plenty of money even during terrible markets.

Having a plan and a framework helps, especially if you keep it stupid simple. The entire OBA process can fit on a 3×5 index card with space left over.

1 - Buy the best avoid the rest – Many people think they're investing only to find out the hard way that they're speculating when the going gets tough. The best companies are increasingly outperforming the "rest" including many household names that are now dead money. You are over-diversified if you own more than 15-20 stocks and that works against you over time.



2 - Don't covet your neighbor's stock – Many people flit from hot company to hot company because their friends are. That's not an excuse. Winners chart their own path. What's more, they learn to recognize the conviction that comes with doing so over time.

3 - Smartphones, the Internet, and trading apps are not an excuse to do stupid stuff – Hope is not an investment strategy any more than a gamified app that makes trading easy is. More information at your fingertips simply means you can make mistakes faster.

4 - Go with what you know, use, and can explain - Many investors get caught up in the "gee-whiz" factor or stuff happening in "this sector" or "that sector." That thinking is as dead as a steam engine in today's markets where real profit potential is driven by broad trends that upend entire business models.

Digitalization is a great example because it dwarfs all other trends combined. What's more, it will impact every sector, every business, and every industry segment for decades to come.

5G, for example, isn't about phones but everything from financial services, data, to health care, medicine, education, pharma, food, media, telecom, transportation, logistics, and more.

Every company I recommend is aligned with at least one, if not several of the 5Ds, all of which are backed by trillions of dollars in spending.

5 - Always sit in an exit row – never buy a stock without a clear plan on what you want to achieve and how you'll "get out" if you have to. I'm a firm advocate of trailing stops at all times, not just when the you-know-what could hit the fan.

KF

Get your questions answered!

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

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

Chapter 9

FAMILY HIGHLIGHTS

Together we are stronger!

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!

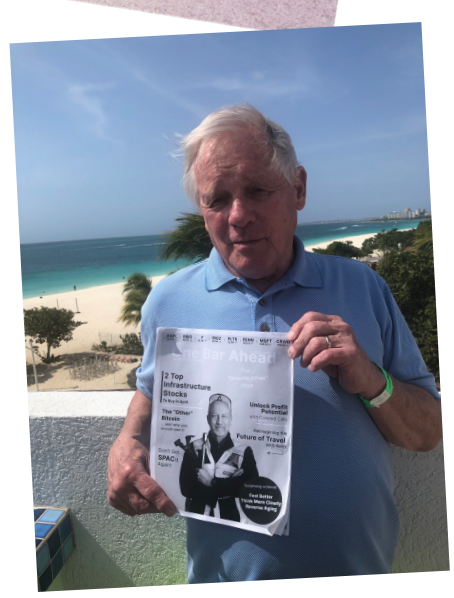
That’s why I encourage you to share your journey. Doing so can help you develop and maintain the motivation needed to make you a better, more consistent, and knowledgeable investor or trader. Plus, it’s a great way to learn new habits that can help you crush your goals.

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 email me 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!

12 COUNTRIES, 32,000 FEET, 370 HP + COUNTING!



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Chapter 10

HIGH PERFORMANCE OVER 50™

Five Reasons to Get a Pet (or Borrow Your Neighbor's)

High Performance Over 50™

5 Reasons to get a pet or borrow your neighbor's!

Many people think that owning a pet changes the animal's life.

It's the other way around.

Pets – no matter whether they're furry, feathered, or finned – can trigger increased levels of oxytocin. If you slept through chemistry class like I did in high school, that's the so-called "love hormone." Oxytocin produces feelings of bonding, closeness, and, yes, love. It's also a primary driver when it comes to your mood.

Better living starts from within and pets can help.

1 – Better, stronger, longer heart-healthy lives

A 2020 Mayo Clinic Study of 1,800 individuals between the ages of 25 and 64 with healthy hearts found that 42% owned a dog. This builds upon earlier studies showing that people with animal companions also get more exercise, have nearly ideal blood sugar levels, and more stable emotions. Additionally, people with pets (of any type) have a lower mortality risk.

2 – Think more clearly

A staggering 82% of people in the 2020 Baltimore Longitudinal Study of Aging kept pets in the past while 24% still had 'em.

What catches my attention is that those who owned pets or who enjoyed regular access to 'em showed significantly higher cognitive function, physical function, and psychological status than those who didn't.

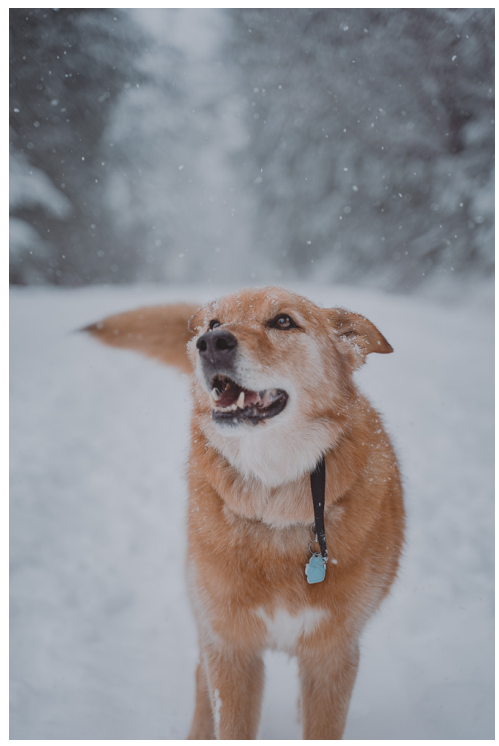
3 – Less stress

A 2019 Study from Washington State University found that petting an animal for even just 10 minutes can significantly decrease cortisol levels.

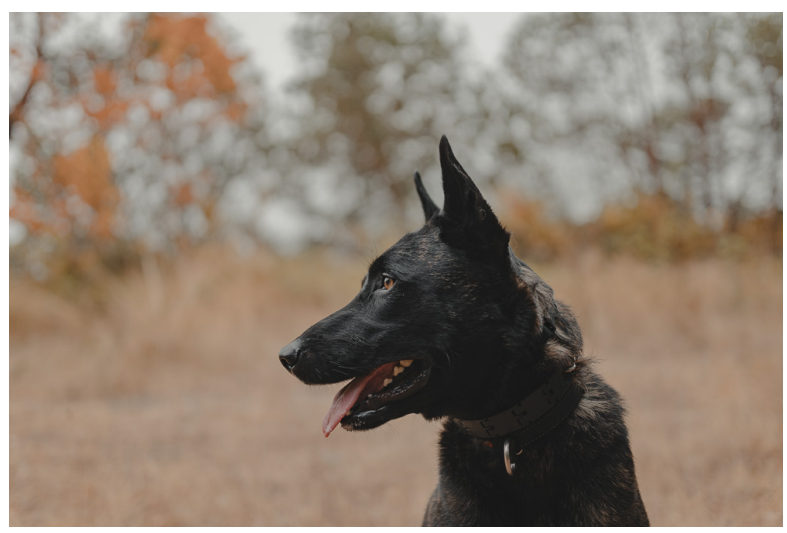
Moreover, 79% of pet "parents" in an AARP study said that pets helped them cope with otherwise debilitating emotional and physical pain.

I can attest to that firsthand after my surgery recently. Bryce, our Dutch Shepard, curled up next to me for hours at a time and helped me get mobile faster than I would have otherwise.

Lucy, our blond furball, has been a certified Pet Partners therapy dog for over a decade working with cancer care and other critically ill patients, veterans, special needs children, hospice care, and more. People literally re-arrange their treatment schedules around Lucy's visits! What's more, the doctors and nurses crowd around when it's time for "fuzz-therapy."



Lucy (left) our resident therapy dog and Bryce(bottom), our squirrel hunter



4 – More socially active, less isolation

A Japanese study found that motor fitness scale and walking activity were significantly associated with the experience of dog ownership, after adjustment for important sociodemographic and health characteristics. Analysis of social function showed that interaction with neighbors, social isolation, and trust in neighbors were all significantly associated with the experience of pet ownership.

It's much the same in China where taking your favorite songbirds to the park is a tradition dating back to at least the 15th century. I suggest a visit to Hong Kong's Yuen Po Bird Garden in the Mong Kok area if you're in the neighborhood. It's an acoustic marvel guaranteed to put a smile on your face.

5 – Pets can help you be more creative and inspiring

Albert Einstein reportedly did some of his best thinking while watching his cat, Tiger. Florence Nightingale became a nurse because of an injured sheepdog named Cap. Legendary actor and tough guy Arnold Schwarzenegger has a miniature horse named Whiskey and a donkey named Lulu. He noted to Fox News Los Angeles recently, that it's so wonderful when you have animals around you. "They play with you and they do funny things, roam around the house."

This is where the rubber really hits the road for me.

Investing and trading can be some of the most intellectually challenging activities on the planet.

Our minds must be in high gear consistently and often for long periods of time.

I do some of my best thinking when Bryce and Lucy are in the office or curled up at my feet.

Much to my wife's amazement, I often solve analytic problems or make complex investment decisions when we're miles into the woods together with the dogs and my brain has had the space to unwind.

Woof!

KF

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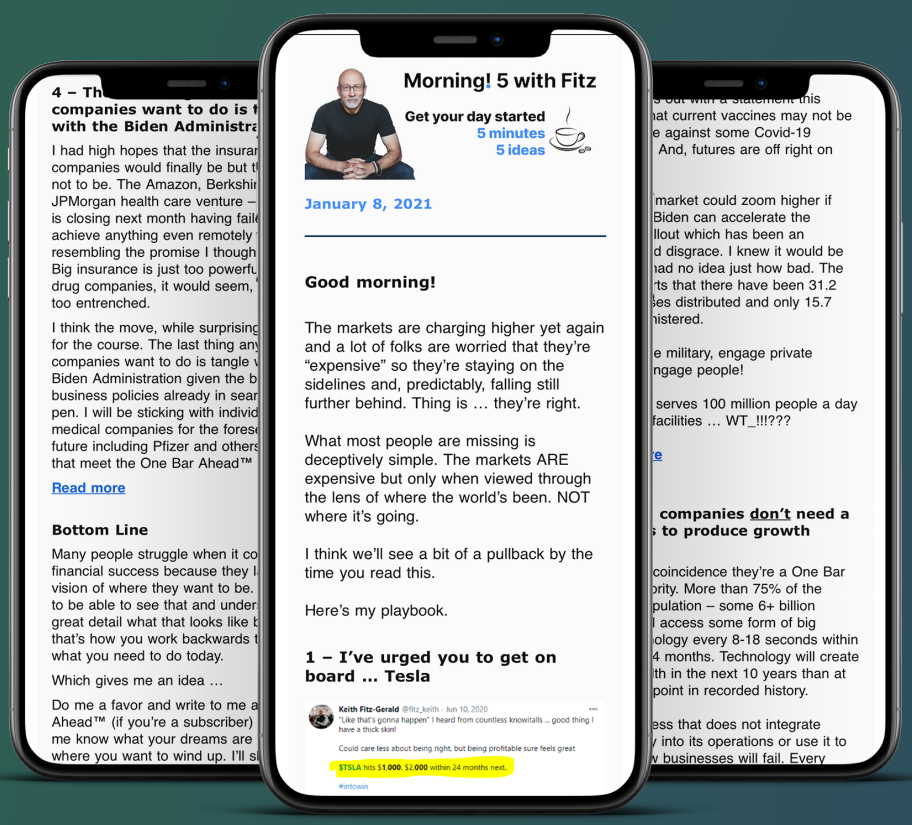
Thank You for Reading One Bar Ahead™!

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.



Morning! 5 with Fitz

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