AMAT	COF	CPRI	CRM	DD	GS	NTAP	PNC
113.36 ▲	124.25 ▲	49.68 ▼	174.83 ▲	66.65 ▼	317.12 ▲	71.94 ▲	171.06 ▲

JUNE 2022

One Bar Ahead™

BY KEITH FITZ-GERALD

“Recession proof” your portfolio with this REIT

What I learned from 40 years at the NYSE about navigating nervous markets!

With special guest Kenny Polcari

Your 5 Minute Guide to Hedging

No options required!

Plus, an in-depth portfolio review, the latest MMI charts, and much more →

High Performance Over 50

Live the life you love!

Here’s how.

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Customer Service: support@onebarahead.com. Telephone: +1.425.276.1557

Keith Fitz-Gerald's ONE BAR AHEAD™

One Bar Ahead™, June 2022

Letter from Keith

Dear Reader,

We're headed into the "summer from hell" according to several analysts who are bracing for the worse.

Planning for the best is the better move.

I know that's hard to believe at the moment, particularly if you watch the news or get sucked into overwhelmingly negative headlines screaming across the Internet. But it's true.

We've seen this playbook before.

In fact, I can think of a dozen crises off the top of my head that seemed like the end of the world when they were happening. ALL ultimately proved to be nothing more than an economic speed bump in history's rearview mirror.

Some, of course, are beyond living memory … like the Credit Crisis of 1772, the Panics of 1837, 1857, 1873, 1893, 1907, and even the Great Depression.

Others are still very real … including the Oil Price Shock of 1973, Black Monday in 1987, the Dot Com Crash of 2000-2002, the Global Financial Crisis of 2008-2009 and Covid-19.

The markets have come roaring back when things settle down *every* time!

I won't sugarcoat things.

The risks we face are serious … rising rates, bureaucratic bumbling, economic incompetence, complicated geopolitics, clueless central bankers and more. But, odds are, they're <u>not</u> the end of the financial universe as we know it.

People forget their history in the heat of the moment.

Smart investors know better.

Crisis speeds up innovation while also inevitably rewarding those who are savvy enough to capitalize on the ensuing chaos.

For example, Amazon reached a high of $75.25 in 2000 only to fall 92.7% to a low of $5.51 per share from 2001-2002. Cisco hit $82 then dropped to $11.04 over the same time frame, a loss of 86.5%. Apple hit a high of $150.38 then fell 91.1% to a low of $13.36 in 2002.

Today, each of those stocks is considerably more valuable.

This is why you often hear me say buying the best companies now makes sense even if there's more selling to come.

Many investors are shocked to learn that stocks we talk about frequently trade at less expensive multiples now than they did back then.

Microsoft, for instance, traded at a PE of 75X at the peak of the dot com bubble but sports a PE of just 26.63X today. Apple traded at 33X in 1999 but is just 22.57X today. Even non-tech stocks like Exxon and Walmart are considerably cheaper! Both traded at PE's of 41X and 54X back in the day but are now changing hands at 15X and 25X.

America's demise is vastly overrated.

The digital acceleration we talk about frequently is very, very real. At the same time, the pandemic and now rising rates are changing consumer habits in ways that will persist long after both fade into history.

Making the right moves now before everyone else figures this out is super important. Again, even if it means we must endure a bit of short-term pain first.

The lesson in all this is *not* to bail at the first sign of trouble.

What you want to do instead is concentrate on the best stocks, meaning those with a) proven business models, b) visionary CEOs, and c) the ability to protect margins even as they create entirely new business paradigms.

Wall Street won't hear it, of course. They want you to chase the "hot" money, IPOs, SPACs and more because that helps them separate you from your money by distracting you from the real profit potential ahead.

Speaking of which, I've just returned from a 3,000-mile, 5-state motorcycle odessey through the American Southwest with my lifelong friend (and fellow-OBAer) Matt C.

What we found along the way is proof positive that we're on the right track.

There are businesses being built, many truck stops are hopping, and the sound of construction equipment filled the air everywhere we rode.

People we spoke with know times are tough yet remain filled with hope, optimism and grit. Determination is a theme, not just fancy thinking.

For example, Joe, an 86-year young farmer in Grass Valley, told us he's excited to see his next harvest get to market. He said very matter-of-factly with a knowing shrug of his shoulders that the economy is like the ground he plows in that "every once in a while you've got to give it a rest to grow new crops."

Meanwhile Barbara, a 22-year-old innkeeper, sees Tonopah on the mend. She looks forward to sharing its rich history with visitors. Occupancy is up and the joint is jumping. "More people should get out and see what makes this country great," she urged.

Jeremy and his wife Pat are a husband-and-wife trucking team on the hunt for new rigs and teams to help them build a new short-haul line servicing the Vegas/Reno area. Both observed that the labour shortage everybody else worries about is a "once in a lifetime opportunity".

Two hard as nails Harley riders, "Short Willy" and "Paul the Viking" noted that times were tough, but that riding gave 'em a visibility into what's important.

Paul beamed with pride as he showed me one of the knives he makes and sells to other riders. Short Willy talked about the importance of "listening to everyone" especially when it comes to getting past big city condescension.

We were quite the picture talking above the Columbia River as you might imagine … me looking like a NASA-escapee in my hi-tech gear and the fellas in their gang colours.

Respect still counts, as do manners!

There was plenty that caught me by surprise, of course. That almost always happens on a long ride because you see change up close every time you put the kickstand down.

Dollar General stores, for instance, seem to be located within spitting distance of pay-day loan operators and cannabis retailers. Why, I have no idea, but I've got to imagine it's a variation of Burger King's location strategy for years which was to open restaurants that geo-fenced McDonald's locations.

I was also tremendously impressed by the sleek new trucks we saw everywhere. Aerodynamics and fuel efficiency really are a thing even though the EV crowd would have you think otherwise.

Older trucks create a lot of dirty air that can make for tricky riding if you're not ready for it … and we had very little of that.

Politics, as you can easily imagine, were a non-starter. Left or right, it didn't matter … most people have simply had enough of Washington's self-absorbed baloney.

Putting food on the table is far more important, especially with a jaw-dropping 64% of Americans living paycheck to paycheck right now according to LendingClub.

Inflation makes this worse, which is why concentrating our money in defensive plays continues to make sense, especially when you can tap into a growing market at the same time.

This month, we're going to start our time together with a look at a super specialized real estate investment trust (REIT) that's doing just that.

It's perfectly positioned to capitalize on our ageing population, has great management and generates an attractive 6% yield!

Given market conditions, I thought we'd continue the conversation on hedging that we began in last month's issue. I've got a shortlist that will help you get ahead of anything untoward this summer AND the next rally when it happens.

Speaking of which, I've also asked my good friend Kenny Polcari to chime in with a few thoughts regarding how what he learned during 40 years at the NYSE can help you navigate dicey market conditions. He's a "Pro's Pro" and I think you'll find what he has to say as valuable as it is familiar.

Then I've got a special "Ask" – a favour really. It'll make sense when you read about it. Time is critical and *your help will save lives*.

There's also the portfolio review and a special chart that will highlight why I believe we're closer to a truly legendary buying point than most people think. Plus, the portfolio review, the MMI charts and more.

We'll wrap up with a look at how anyone can escape the life they hate and live the life they love. Seems to me that most social scientists have it backwards which is, of course, why I want to press forward!

Opportunity beckons even as risk remains.

As always, thanks for being part of the One Bar Ahead™ Family!

I am thrilled you're here.

Best regards for health and wealth,

KF

Note:

We read every email, note, and message we receive so please don't hesitate to reach out with anything on your mind. Send pictures, suggestions, questions, comments, and ideas – we'd love to hear from you!

The address is **magazine@onebarahead.com**

Other ways to keep in touch

youtube.com/channel/UCeNYMU7yzjLqGHkApJEUvKA

@keith.fitz.gerald

@fitz_keith

www.onebarahead.com

Upcoming Conferences:

MoneyShow Virtual Expo

June 21-23, 2022

Online

moneyshow.com

You're invited!

It's almost time for another virtual OBA Chalk Talk / Happy Hour.

Dates are still TBD but I'll be sure to give you plenty of notice.

To that end, I would love to hear what YOU want to hear.

Would you like a presentation? Live Q&A? Perhaps a little bit of both?

Please send in your requests and any topics you'd like me to cover to our email at **magazine@onebarahead.com.**

We're looking forward to hearing from you!

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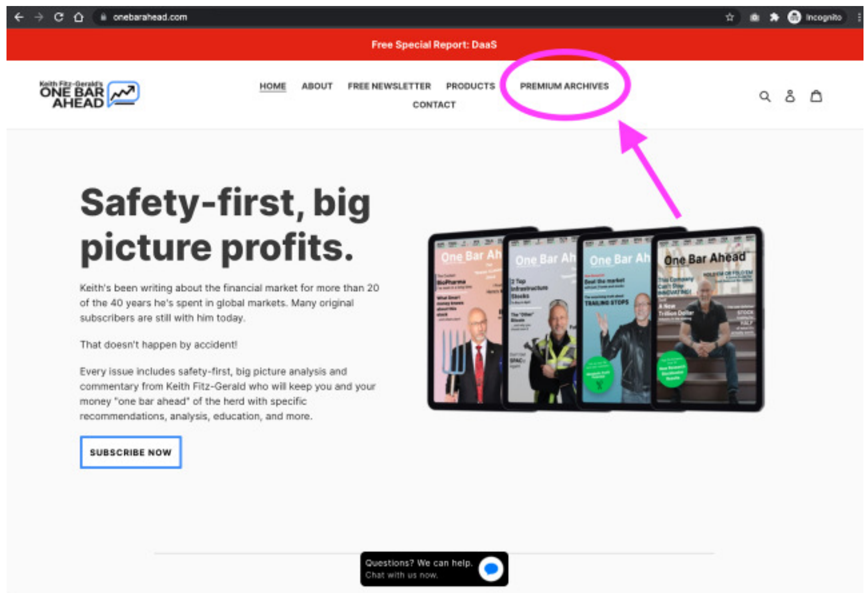

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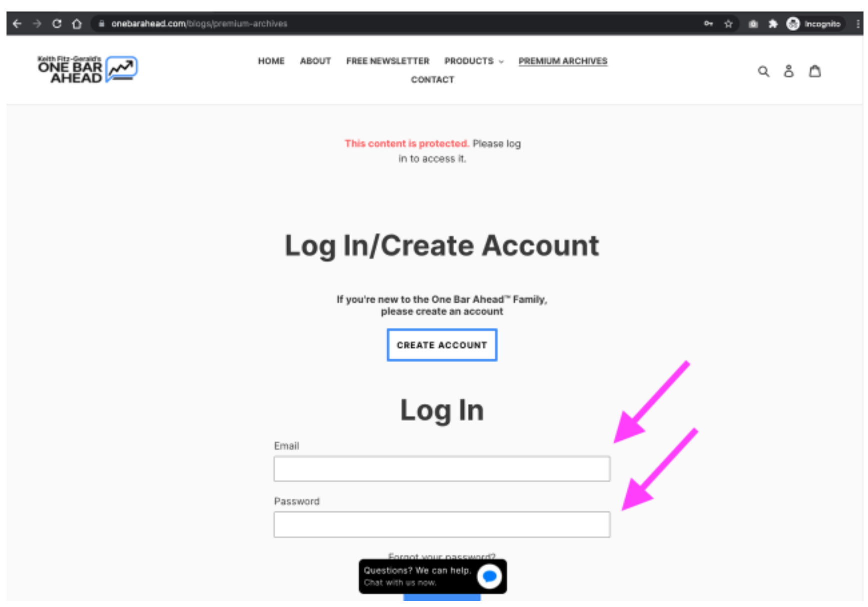

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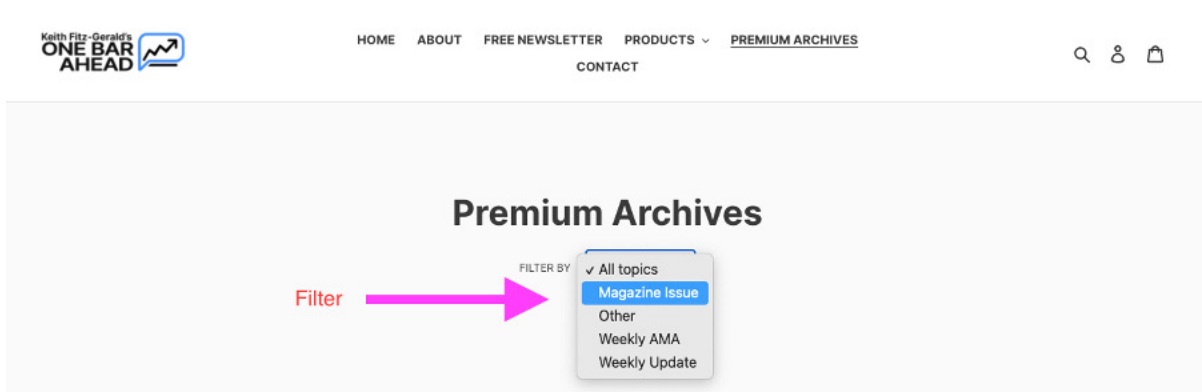


If you try the above steps and it doesn't work, please contact us at **info@onebarahead.com**

Chapter 1

SAFETY+INCOME

This REIT could be the "safest" way to play a recession *before* it happens

Demand is booming!

THE "SAFEST" WAY TO PLAY A RECESSION

Many people have written America off.

Inflation rages, politics are a wreck, business is slowing, and joblessness is rising.

I am not one of 'em!

Crisis has a funny way of turning challenges into opportunities.

Take Covid-19, for example.

Pfizer, Moderna, Gilead and dozens of other companies researched, tested and fielded a series of vaccines and related treatments in months. Not years.

What they've learned about treating viruses is worth billions when it comes to customizable medicine!

Or the Deep Water Horizon explosion in 2010.

Oil spilt into the Gulf of Mexico for an unprecedented 87 days following a catastrophic rig failure and, in doing so, caused a massive environmental disaster when the technology needed to contain that kind of problem a mile underwater didn't exist. Months later, it did.

Today, according to the Brookings Institute, the "capping stack" is commonly used around the world by deepwater drillers as a safety contingency.

Crisis creates opportunity!

Even the so-called Knickerbocker Crisis of 1907 qualifies.

Not many people know this, but what happened in 1907 was the first significant banking panic of the last century.

The crisis started when two lesser-known speculators, F. Augustus Heinze and Charles W. Morse tried to corner the copper market and failed. The NYSE fell nearly 50% in three weeks, depositors fled, and panic fanned around the world. Today's selling pales in comparison, honestly.

Financier JP Morgan – yes that JP Morgan – pledged massive amounts of his own money and, for better or for worse, the Fed we know today was born.

There’s always a flip side!

Difficult times inevitably create new profit potential because they bring together previously unrelated resources, spur focus, and lead to new interdependencies.

Social scientists say this is because of something called convergence, but I believe it's driven by a much more basic human need ... survival.

The real winners during tough times are companies with the vision to press forward, practically no matter the odds or the environment, especially when they’re backed by booming demographics, favourable operations and comparatively low expenses.

REITs (Real Estate Investment Trusts) fit the bill nicely because they offer a blend of income and appreciation.

Like any other investment these days, you have to choose carefully.

I’ve held off until now because many REITs can produce real or negative returns during high or rising interest rates because they’re tied into the wrong property types, have too much leverage or other problems.

For example, many popular REITs centre on so-called "Class A" office space. Historically, they've done well for the investors who own 'em.

That's likely to change because millions of folks have discovered that working remotely can be great as a result of the pandemic experience.

Real estate pros will tell you they have this covered publicly to avoid panic but privately there's a deep fear of looming vacancies in many urban areas for years to come.

What's more, the income stream many REIT "office" investors take for granted is considerably riskier than they think. Rents will fall and values will drop if I'm right.

Other popular REITs specialize in malls and retail shopping centres. Those have also been historically strong performers.

Unfortunately, retail property has been in a death spiral for years. Kearney estimates that 40% of all consumers will be digital natives by 2030, just eight short years from now.

That means the current crop of teenagers may never "go to the mall" to hang out like those of us of a certain vintage did.

Not surprisingly, many REIT investors have sold in a huff recently because they fear the worst.

The Nareit Index for all REITs (FNAR) is down -14.8% YTD as I type which is a shade worse than the S&P 500 which has dropped -13.5% over the same time frame.

That's understandable ... the word "recession" isn't exactly a crowd pleaser.

It's also the *opening I've been looking for.*

Fear works in our favour when it comes to picking up longer-term bargains other investors sell because they fear short-term noise.

Recession or no recession, there's a lot of money to be made, especially if we can pick up the right REIT at the right time!

Introducing CareTrust (CTRE)

CareTrust is a publicly traded, self-administered REIT that buys and leases healthcare properties and senior care housing to specialized health care operators across the United States.

The company has a "book" of tenants in 228 net-leased healthcare properties in 29 states throughout the country. Roughly 68% of that is skilled nursing, 19% is multiservice campuses, while the remaining 12% is senior housing.

According to company data, CareTrust has 22 operators running an impressive 23,834 beds.

The largest two operators, The Ensign Group and Priority Management Group account for 33.1% and 14.9% of the rent roll respectively, which also means there's a relative risk reduction in terms of business partners.

A landlord, not an operator

Practically speaking, this means CareTrust doesn't have to deal with staffing, labour problems, families, etc. Nor will it get tied up in Medicare payment delays or processing either.

Something else I like a lot ...

Many REITs are geographically concentrated, but CareTrust's lease roll is diversified across the US.

This reduces the likelihood of an overall downturn adversely impacting operations while also building in comparatively less portfolio volatility.

THE "SAFEST" WAY TO PLAY A RECESSION

CTRE is perfectly positioned to prosper from demographic shifts

Lease maturities – meaning when leases expire – are largely concentrated in 2031 and 2034.

Stable cash flow and dividends

That's very favourable because the length of the lease suggests far more stable cash flow over time and very bond-like characteristics *without* the risks of traditional fixed income.

Shares are trading at $18.35 as I type, having built off a recently established base near $16 in late April.

That's good because the chart suggests an attractive "range" to the high side of around $25 a share, or roughly 36% higher when fully valued.

Shares are inexpensive for now

CareTrust pays dividends 4X a year. The current projected dividend yield is 6.1% based on an expected payout on July 15, 2022.

The dividend cover, a key measure of dividend safety, is just 1. Ideally, I'd like to see 2 or more, but I'm willing to overlook that right now given the comparative diversification and stability of its business partners and leases over time.

Which brings me to the final and perhaps strongest argument of all for buying shares now.

CareTrust's primary customer group – Americans 70+ - will grow by 60% from 2020 to 2040.

Profits, of course, will follow.

Action to take

Volatility is far more likely to be our constant travelling companion this summer than not.

Nibbling - rather than jumping "whole hog" - into any investment makes sense as a way of boosting returns and minimizing risk.

Buy shares under $19 and consider adding on dips. Anything under $17.50 is a serious bargain. I suggest reinvesting dividends over time to take advantage of the bond-like income on offer if you don't need the money for a few years. Otherwise, plan on a trailing stop 25% below your purchase price just in case the markets have other ideas.

Tuck shares into the Global Growth and Income section, the "40" in the OBA Model Portfolio.

Alternatively, consider selling cash-secured puts around $20 a share if you've got the skills, the cash, and the desire to get paid as you "shop" for shares.

The 15JUL22 $20 Puts last sold for $2 per as I type, which means that you'll have a basis of roughly $18 if assigned at expiration.

As always, make sure you have the cash to back up every put you sell. Generating income is a bonus, not the goal with this recommendation. In this case, that's $2,000 per put sold.

I've had some requests for LEAPs recently but there aren't any available for CareTrust. However, we can get close.

If you'd like to play the situation more aggressively and have a higher risk tolerance, **consider buying the 20JAN23 $15 Calls, which last traded for around $3 each** as I type.

This also represents a basis of approximately $18 a share at expiration but may be less desirable than a straight "buy" because you'll be forfeiting the projected 6.1% dividend that comes from owning the stock itself.

KF

YOUR 5-MINUTE GUIDE TO HEDGING

By Keith Fitz-Gerald
Principal, Fitz-Gerald Group

Hedging your portfolio is more critical than ever.

And easier.

**Current market conditions continue to challenge many investors which is why continuing the conversation we started in last month's issue makes sense.

IT'S NOT TOO LATE TO HEDGE

... Is it too late to hedge?

Not if you do it "right."

Let me explain.

As you might imagine, I'm getting asked that a lot lately. The selling has been brutal.

Big-name analysts at firms like Goldman Sachs, Morgan Stanley, and Citi are warning that the Fed could hike rates faster and farther, that valuations are overdone, and that slowing economic growth is going to bring about an inglorious end to all things financial.

Investors are understandably nervous.

I get it.

The markets seem to be standing on the edge of a big, deep, nasty precipice. Many people want to protect everything they've worked so hard to save up and invest.

Hedging is a logical thing to be thinking about.

But, where to start?

The vast majority of brokers and financial advisors will blather on about diversification or the merits of staying invested in volatile times.

Others will talk about using fixed income – bonds by any other name – to protect against downside risk.

Both worked for years but ...

The markets have changed

Much of what's taken for granted about the way markets work is no longer true. Especially as it relates to hedging.

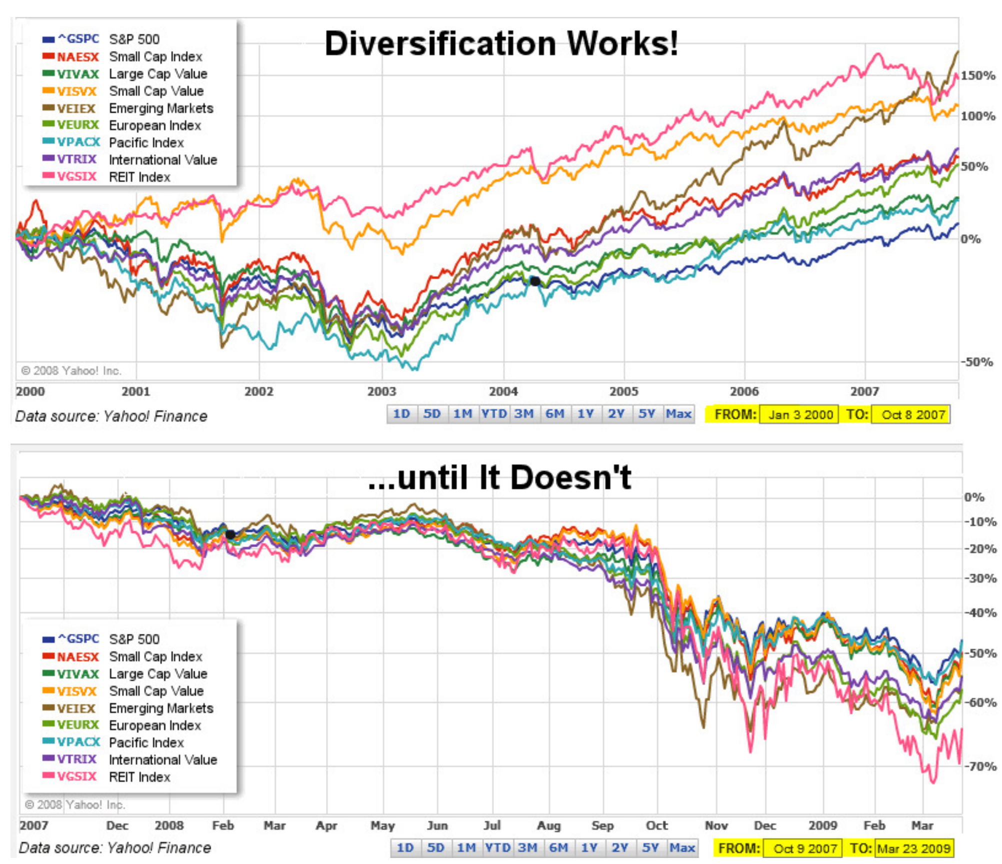
The premise behind diversification, for example, is that spreading your money around helps "because not everything goes down at once."

Diversification has been implicitly viewed as a "hedge" since the 1950s when economist Harry Markowitz figured out that the sum of a portfolio's parts could be less volatile than individual investments.

The problem is that today's financial markets actually do tend to move "all at once." And, a lot more often than people think.

This comes as a huge and often terribly rude awakening for legions of investors who have spent decades dutifully diversifying their investments like they've been told.

Today's markets are very different than they were back in the day. They're highly computerized, dynamic, and driven by leverage (so-called integrated funding channels) that have nothing to do with underlying fundamentals.



Source: Barry Ritholtz, 'The Big Picture'

Then there was the so-called "60/40" portfolio that came into vogue in the 1980s/1990s when "balanced funds" were the rage. For a long time that was viewed as an implicit "hedge" as well.

The problem with this line of thinking is that investment-grade bonds now yield substantially less than the rate of inflation which means anybody buying them is subjecting their money to a losing rate of return.

Bond yields have less room to drop during periods of market stress. Worse, bond prices can fall dramatically during periods of high inflation and sell off harder than the stocks they're supposed to balance.

IT'S NOT TOO LATE TO HEDGE

Fortunately, there is a simple and elegant solution … *hedging*.

The first thing to understand is that the most successful hedges are put in place long before the herd realizes that anything is wrong.

Hedges, in that sense, are a lot like the seatbelt in your car. Ideally, you want to buckle in before you turn the key (what we do here at One Bar Ahead™) Not after you've had an accident (which is what most other investors do if they hedge at all).

That's why, for example, we started talking about hedging using SH/RYURX late last year when nearly everybody else thought the bull market could run forever. Both have enjoyed a nice run higher as the S&P 500 has dropped off.

The second thing to understand about hedging is that most people don't think about hedging until it's too late.

There are a variety of reasons why this is the case but essentially it comes down to behavioural psychology. Social scientists call this avoidance behaviour – meaning people learn to fear situations that have caused them pain or stress in the past.

More often than not, that's an *opening*.

The fabulous Jim Rogers drummed it into my head over the years that it's the perfect time to look at the opposite of a trade – any trade – when "everybody knows something to be true."

Excessively bullish headlines, for instance, are a sign that we want to be thinking about the market's next downside move. Conversely, abjectly bearish headlines are a sign that we want to be thinking about prices taking off higher.

Mr. Rogers, in case you're not familiar with him, partnered with George Soros to run the Quantum fund which generated a jaw-dropping 4,200% return from 1973 to 1980.

Hedging is not as tough as you'd think.

Here's how.

Hedging "apples to apples" is important

Match your hedge to your holdings

People don't talk about this a lot when the subject of hedging comes up, but they should. Ideally, you want to hedge apples with apples.

The One Bar Ahead™ Model Portfolio contains a lot of tech-related recommendations but my research shows that the underlying performance is far more likely to mirror the S&P 500 over time. That's why I generally suggest the ProShares Short S&P 500 ETF (SH) or the Rydex Inverse S&P 500 Strategy Fund (RYURX) when it comes to hedging.

If you're primarily concerned about tech stocks getting hammered for whatever reason - and I get that you might be - a choice like the ProShares PSQ ETF (PSQ) or the inverse ARK fund (SARK) could be appropriate.

Leveraged hedges like the ProShares Ultra VIX Short-Term Futures ETF (UVXY) or Direxion Daily S&P 500 Bull 3X Shares (SPXL) are best reserved for short-term speculative use ahead dramatic short-term moves and held for 24-48 hours at most.

The first 7-10% always belongs to the market

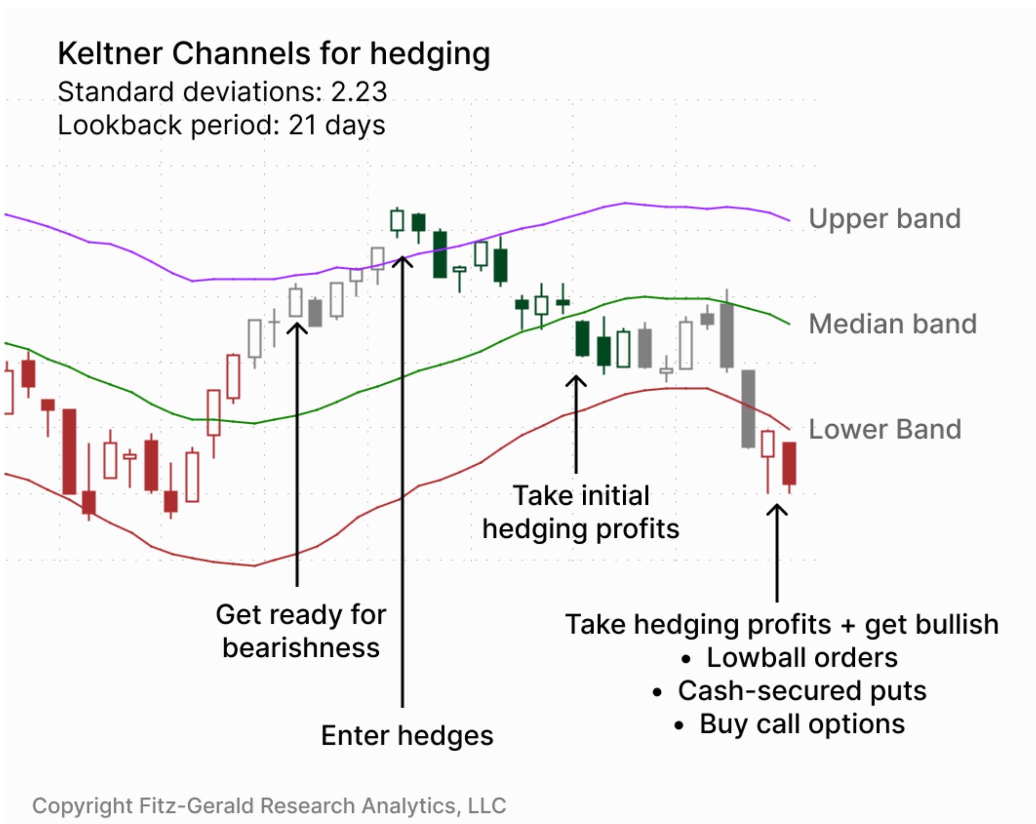
This is where trailing stops come into play and why you want to understand "normal" market behaviour, something we talk about a lot.

IT'S NOT TOO LATE TO HEDGE

As long as prices are within this range, there's no need to hedge beyond the 2-3% I recommend in SH or RYURX (unless you want to) because the risks of getting bounced out prematurely are greater than the opportunities associated with staying in.

I use the Master Market Indicator™ (MMI™) to help me gauge price action but you can just as easily use Keltner Bands set to 2.23 standard deviations and a lookback of 21 days.

Most brokerages' charting platforms or online alternatives have Keltner Bands built in and available for free.



When prices are tracking along the upper band, you'll want to consider adding to inverse ETFs like SH or an inverse fund like RYURX the moment they pull back or lower. If prices drop through the median to the lower band, that's when you can consider adding more to SH or RYURX more aggressively.

Exit or lighten up your hedge when prices cross above the lower band again.

If you're options savvy, consider buying puts 10-12% below current prices.

Remember, the most effective hedges are put in place when the overwhelming majority of people aren't thinking anything is wrong.

Doing this when prices are tracking the upper Keltner Band can be particularly cost-effective. That's because put options - that are a bet on lower prices – will be dirt cheap at that point.

Keltner Bands, in contrast to the more familiar Bollinger Bands, represent volatility around trend which means they will expand as volatility increases and narrow as it decreases.

As I type, for example, the difference is about 10-12% from the median value between the bands. Late last year it was just 6%, for example.

Don't wait for hell to freeze over before taking profits

Many people put their hedges on thinking that they'll hold 'em forever but that's asking for trouble. The real key to hedging effectively is taking profits as quickly as you can.

I suggest you consider taking profits when prices have moved about ½ the distance between the median bands. Or when the trend (as displayed by the Keltner Bands) has reversed direction.

There's nothing wrong with using the profits to buy more hedges if you're really freaking out. Besides, nobody ever went broke taking profits so there is that.

Get bullish

Many people think about hedges solely in terms of downside risk. What they fail to realize (or simply lose track of) is that when prices drop far enough that there are profits on your downside hedge, that's a good time to get bullish.

Start with stocks having the lowest MMI™ as reflected in the most recent One Bar Ahead™ issue or simply with those stocks that you'd like to own more of.

Using LowBall Orders or Selling Cash Secured Puts can also be an ideal way to do this. I've outlined the latter in the February 2021 issue which is available in the OBA Archives.

IT'S NOT TOO LATE TO HEDGE

Buying call options with strikes at or near the Keltner Band's Median Line (the middle one) could also be a quick source of profits using the same rules I've just outlined, just in reverse.

In closing, let me leave you with a final thought.

Volatility works in both directions which means hedging does too.

People forget that.

Try putting Keltner Bands on the screen and see if you can "tune in" to what they're telling you. The markets really will talk to you if you listen.

As always, try paper trading your hedges first.

Doing so helps keep risk to razor-thin levels while also allowing you to accumulate the intellectual reflexes needed to harness the chaos everybody else fears.

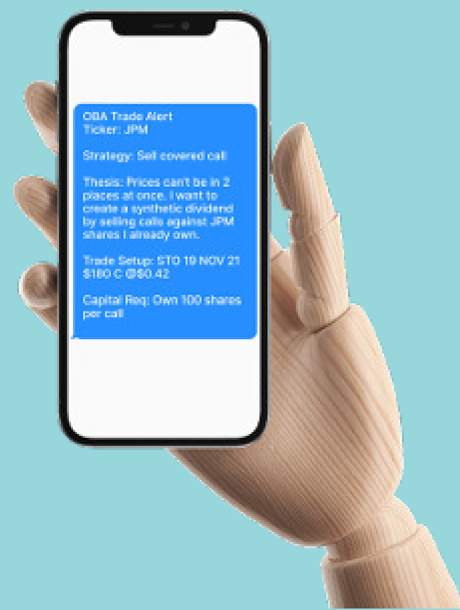
Who knows ... you might even have some fun!

KF

Got questions about the tactics mentioned in this guide? I love answering those.

Make sure you send your questions to **askkeith@onebarahead.com.**

I read every email I get, and would love to hear from you.



Want more? Consider signing up for Trade with Keith

What is it?

High-probability cash-secured puts and covered calls via text for educational purposes. Backed by real-world experience in real time.

Many of the trades I send out are centered around the Keltner bands mentioned in this chapter, and are designed to maximize profit potential.

What's included:

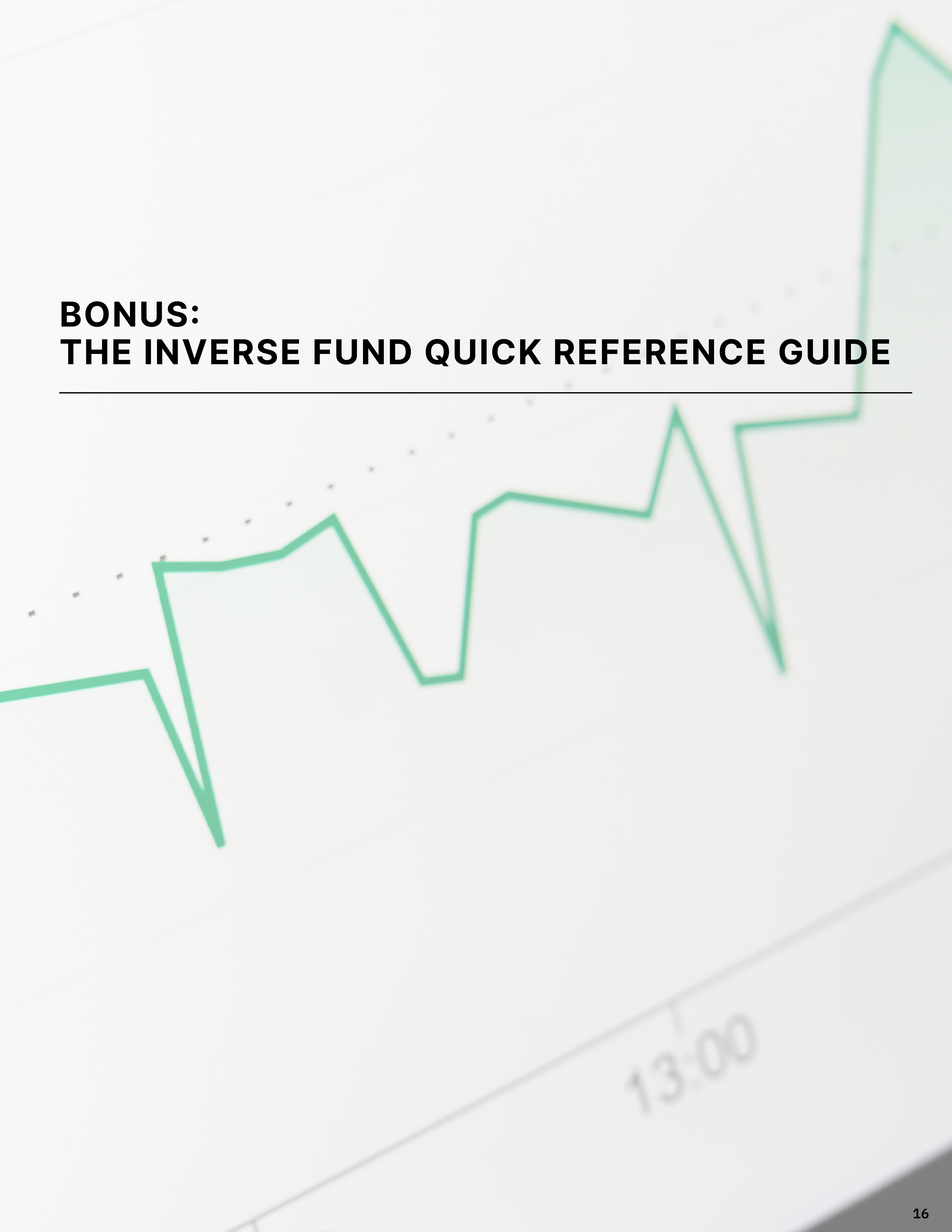
Roughly 2-4 trades a week, with each text including a quick look at what the trade is, a brief thesis as to why I think it's a great idea and a sample order.

Sign up today:

👉 **OneBarAhead.com/TWK**

(Don't forget, you can get 25% off forever by using the code OBAMEMBER)

BONUS:
THE INVERSE FUND QUICK REFERENCE GUIDE



INVERSE FUND QUICK REFERENCE GUIDE

Hedging your investments has never been more critical

Or thankfully, easier.

Here's a quick reference guide to my favourite inverse funds.

In case you're just joining us, inverse funds are a special class of investment that performs inversely – meaning opposite – of the indices they track.

For example, the ProShares Short S&P 500 (SH) is intended to appreciate as the S&P 500 to which it's benchmarked declines. Conversely, SH will lose money if the S&P 500 rises.

I'm a fan for three reasons.

First, inverse funds can help investors protect against unexpected market events in both directions when used properly as part of a comprehensive investment program.

Second, inverse funds are one of the very few tools available to individual investors today that can help tame Wall Street's shenanigans without the hassle or complexity of options.

And third, inverse funds can help dampen overall portfolio volatility which, in turn, means that savvy investors can stay "in to win" rather than being forced to sell stocks they'd otherwise rather continue to hold.

As I noted recently on May 6th, the SEC is considering a crackdown on leveraged and inverse funds that is flawed and misguided IMHO, but I'll leave that for another time.

Meanwhile, here's what you need to know:

Protecting Against a Market Decline

This is where most investors start, usually because they want to protect an existing portfolio against market declines or even put a little extra speculative money to work to profit from a downside move.

The most effective hedges are 1:1, meaning they move dollar for dollar in the opposite direction to the underlying benchmark.

Studies show that having as little as 2-5% of overall investment funds available in non-correlated or inversely-correlated choices can help dampen overall portfolio volatility.

The drawback, of course, is that inverse funds can drag on performance when things are good. However, I submit, that's a win if they're not needed just like the seatbelt in your car.

I do NOT advocate leveraged ETFs or leveraged inverse ETFs for ongoing hedging purposes because they are riskier than the non-leveraged 1:1 variety and best reserved for short-term use only.

Remember, the goal when you are hedging is to mitigate risk, not create it.

1:1 Hedges Table

Fund Name	Ticker	Type	Daily Objective	Benchmark	YTD Return	$ Price
ProShares Short S&P500	SH	Equity	1:1	S&P500 (SPX)	18.91%	$16.10
ProShares Short QQQ	PSQ	Equity	1:1	Nasdaq 100 (NDX)	33.58%	$14.32
ProShares Short Dow30	DOG	Equity	1:1	Dow Jones Industrial Avg (INDU)	12.85%	$35.49
ProShares Short 7-10yr Treasury	TBX	Fixed Income	1:1	ICE US 7-10yr Bond Index (IDC0T74)	8.08%	$26.48

Data as of May 24th, 2022

INVERSE FUND QUICK REFERENCE GUIDE

Capitalizing on a Rising Market

Usually, there's enough upside in the markets themselves when stocks are heading higher, so taking on a leveraged ETF to harness a rising market doesn't make sense at first glance. But, as is often the case, looking deeper can present its own opportunities.

Leveraged upside investments give nimble investors the flexibility of additional profit potential if they're willing to be a) agile and b) have the liquidity needed to trade speculatively through rapidly changing markets on a daily basis.

Again, I do NOT advocate leveraged funds for ongoing hedging or investment purposes. They are intended for short-term use only because how they are constructed does not track the underlying indices to which they are benchmarked for anything longer than a day.

Holding longer will work against you.

Harnessing Volatility

The following ETFs are a super-specialized way to play volatility itself.

Most investors diversify by type of investment – i.e. stocks, bonds, large-cap, sector and so on – but very few consider volatility itself as a tradable opportunity. And, in doing so, miss out.

Contrary to what many investors think, UVXY and SVXY do not track the VIX and can, in fact, perform very differently than the VIX itself.

Both UVXY and SVXY provide leveraged exposure to the S&P 500 VIX Short-Term Futures Index, which measures the returns of a portfolio of monthly VIX futures contracts with a weighted average of one month to expiration.

The objective of using 'em is to reduce overall portfolio risk using changes in the VIX Short-Term Volatility Index which has historically been correlated with S&P 500 returns.

Like the leveraged inverse funds I've just mentioned, UVXY and SVXY are only intended for short-term daily use.

If you are uncomfortable with daily investment management and/or lack the skill set needed to make short-term directional bets involving volatility, do not buy either one!

Check with a financial professional if needed.

Leveraged Funds Table

Fund Name	Ticker	Type	Daily Objective	Benchmark	YTD Return	$ Price
Direxion Daily S&P500 Bull	SPXL	Equity	3:1	S&P500 (SPX)	-48.49%	$72.03
ProShares UltraPro QQQ	TQQQ	Equity	3:1	Nasdaq 100 (NDX)	-69.53%	$26.10
ProShares UltraPro Dow30	UDOW	Equity	3:1	Dow Jones Industrial Avg (INDU)	-37.72%	$53.75
ProShares Ultra VIX Short-Term Futures	UVXY	Volatility/ Futures	1.5x	VIX Futures	38.86%	$16.33
ProShares Short VIX Short-Term Futures	SVXY	Volatility/ Futures	1.5x	VIX Futures	-24.24%	$47.40

= Leveraged Bullish Funds

= Leveraged VIX Futures Funds

Data as of May 24th, 2022

Frequently Asked Questions

Q - How much should I hedge?

There's no wrong answer. Every investor's needs, risk tolerance and objectives are different.

Studies suggest maintaining 2-5% of total investable assets in non-correlated holdings can substantially reduce overall portfolio volatility.

Hedging is not an "on-off" switch, meaning you don't suddenly have it or get rid of it. Done correctly, hedging is more like the ocean tide in that the need to hedge ebbs and flows over time.

A quick rule of thumb beyond the 2-5% is to add hedges for every additional ___% the markets fall.

Ideally that's a figure you will determine in advance based on your own unique personal risk tolerance, objectives and circumstances (which I don't know) so there is no ambiguity when the time comes.

Again, check with your financial professional to be sure.

Q - When do you "lift" your hedges, meaning remove them?

The same thinking applies.

The markets are not a light switch so it doesn't make sense to think "on/off" for most individual investors.

Instead, think "more or less."

Consider adding hedges as price drops through the Keltner Bands I shared with you earlier. Or lightening up as price rises.

Alternatively, I've known traders who use a simple setup with 3 moving averages - a fast, medium and slow - to guide hedging.

In that case, consider using the "fast" line as your signal whenever it crosses above or below the slower lines.

Q - What if I want to use more sophisticated hedges?

Hedging is a lot like cooking. The "recipes" can be as simple or as complex as you want.

Hedging is not a perfect science. All investments involve risk, even when hedged.

Ongoing hedging can be accomplished effectively with the 1:1 funds I've outlined (or similar alternatives).

Opportunistic hedging can be accomplished with the leveraged funds (or similar alternatives) I've outlined, but only for short periods of time ie. a day or two at most.

If you do want to take things up a notch and have the skills to do that, "beta weighting" may be appealing.

Beta-weighting gives you the ability to assess all your investments relative to a move in the S&P 500 (or another specific asset).

The "score" can help you understand how your portfolio will react to changes in volatility as well as the size, comparative diversity and more of your individual investments.

There's also "convexity-based" hedging.

Convexity refers to how an investment deviates from its benchmark under specific market conditions.

Upside convexity means an investment or a portfolio rises faster than its benchmark while downside convexity refers to an investment or portfolio not falling as fast nor as far.

Downside convexity is typically used to protect capital against deep drawdowns. It can be used strategically or tactically.

Upside convexity is often used to hedge risk and harness a big upside move while not committing excess capital to risky assets or using leverage.

Both Beta Weighting and Convexity are beyond the scope of today's report but included in One Bar Ahead™ on an ongoing basis.

Special Considerations

- Inverse funds allow you to play both sides of the market – up and down – without the hassle or complexity of options.
- Inverse funds are a directional play and, as such, not suitable for all investors. Think carefully before you buy. Check with a financial adviser to be sure they're appropriate for you based on your individual situation (which I don't know).
- Leveraged ETFs and leveraged inverse ETFs are riskier than those that do not use leverage. They are suitable only for investors comfortable with actively managing their investments on a daily basis.
- Leveraged funds are not meant to be held for more than a couple of trading days because the way they're constructed has an inherent "decay" built in, and your position can shrink over time.

Got questions about the tactics mentioned in this issue?

That's what the Friday AMA's are for.

Make sure you send your questions to **askkeith@onebarahead.com.**

I read every email I get and answer every question, so I'd love to hear from you.

Chapter 3

WHAT 40 YEARS AT THE NYSE TAUGHT ME ABOUT NAVIGATING NERVOUS MARKETS

With special guest Kenny Polcari

NAVIGATE NERVOUS MARKETS WITH KENNY

Editor's Note: Perspective is helpful, especially when you can draw it from successful market insiders you know and trust. That's why I've asked my dear friend Kenny Polcari to share his thinking on how he approaches current market volatility using knowledge gleaned from 40 years at the NYSE. Chances are you've seen Kenny and I on television together over the years so he's a familiar, trusted face.

Having spent 42 yrs. in the financial services industry and 40 of them at the NYSE – 38 of those 40 as a member of the exchange – I have some insight into how investors need to approach what is currently a very anxious, very nervous investing landscape.

Success in today's financial markets comes down to three things:

1. Eliminating noise
2. Making a plan
3. Sticking to it

To a point Keith and I make frequently, you've got to know *what* you own and *why* you own it.

Anything else is a risk you don't want in your portfolio. Or need.

Let me explain.

My journey started in the summer of 1980 – I was 19 years old. Ronald Reagan was on his way to winning the presidency and the country was in the middle of the Iranian Hostage Crisis.

Inflation was headed to 13.5%. Unemployment was rising toward 10%. Paul Volker was FED Chair and little did anyone know, he was about to push rates to 21%.

The Dow Jones Industrial Average was trading in the high 800's at a time when the average daily volume was roughly 30 million shares versus the average daily volume of 1.1 billion shares traded today.

I remember Tuesday, August 17, 1982, vividly. That was the day when the FED announced a historic 10% cut in interest rates (2 full points) and, in doing so, ushered in the beginning of the greatest bull market this country and the world has ever seen. The Dow rallied 35 points or 4.5% that day, a move that would correspond to jaw-dropping 1,440 points if it happened today.

Not everything was roses for long, though.

I was also there when the market crashed on Monday October 19th, 1987, a day known forever as Black Monday. The Dow Jones Industrial Average fell 535 points in just 6 ½ hours, ultimately finishing down 22.6% in a single session. I will never forget what that day felt like, something you don't hear a lot of people talk about. The mood on the floor ranged from anger to utter devastation and everything in between.

Many of the products we take for granted today to help us navigate the markets, protect holdings, and play from the short side did NOT exist back then. Options weren't widely traded by the investing public and there were no circuit breakers, for example. Selling quickly became erratic and uncontrolled as traders sought to unload at any cost.

Kenny is always a voice of reason!

Then came the tech boom of the 90's and dot com crash at the turn of the century. And after that, the horrific events of 9/11 as well as the Global Financial Crisis. In all three cases, there was a rip higher afterwards.

Talk about getting an "education!"

Today's markets are eerily similar which is why remaining calm in the face of an otherwise overwhelming storm is paramount.

It's not as tough as you might think if you know how to stick to your plan which, presumably, is grounded in a solid investing ideology.

Knowing how not to make emotional decisions is key.

I learned early on to eliminate the noise, stick to the long-term plan, and remain unemotional.

Understanding where you are on the risk scale and the age scale helps you take advantage of the chaos rather than getting taken to the cleaners.

If the markets get dislocated because of confusing Fed policy or changes in interest rates or even slowing macro data, that's when you'll want to be sure the fundamental story backing the stocks you own remains intact. If it does, then there's no reason to panic.

Trimming around the edges of a core portfolio can help smooth out any potholes you encounter along the way.

What I mean by that is that you'll want to accentuate or overweight sectors that are in vogue while avoiding those that are weak or out of favour. Buying protection that helps you sleep at night is not only okay, but prudent.

My core portfolio remains intact against this backdrop, for example. I use simple products that offer immediate protection – DOG +12%, PSQ + 30%, SH +18% (as I type). I still own my tech and have not sold it, although now it is underweighted in my portfolio as new money has gone elsewhere.

I also reinvest all my dividends in the names that pay them to me even as I appreciate the corresponding value that doing so brings to my portfolio.

I didn't own the sexy, fancy disruptor names that have gotten slammed and still won't, partly because of where I am on the age scale and the risk scale. So, fortunately, I sidestepped that disaster.

At the same time, I have protected my portfolio by overweighting consumer staples, industrials, banks, and energy.

Some people will tell you those are big, boring names but I say they're big, boring, and beautiful. They're all dividend payers and, as such, they offer shelter in the proverbial storm, a refrain I know you hear from Keith frequently as well.

When the sun comes out – and it will – I take comfort in the fact that those stocks will be stronger than they were.

At that point in time, I will sell my protection and re-allocate some of those monies to a product like the SPXL (currently down 44%) the 3x's levered Direxion S&P long....to give me some extra juice on the ride back up.

It's not perfect, but it works for me!

--Kenny

**For more Kenny, I recommend a quick follow via Twitter (@KennyPolcari). I also encourage you to subscribe to his free daily newsletter on money, the markets and some incredibly good cookin'.

Sign up here 👇

kacecapitaladvisors.com/blog

GET THE NEXT 12 MONTHS OF MY RESEARCH FOR FREE

Here's how

HELP A WARRIOR, GET RESEARCH FOR FREE

One Bar Ahead™ has never been about selling millions of dollars in subscriptions and never will be.

I began One Bar Ahead™ with a very simple vision … to share what I know about making money so that everyone can tap into the world's biggest investment trends at the same time.

Today I'm going to take things up a notch and give away what may ultimately be a million dollars or more worth of access to my research and the profit potential that comes with it.

Here's the skinny.

From profit to protection and back again

I began One Bar Ahead™ under exceptionally trying conditions.

Separating from my former publisher where we had built a readership in the millions required a significant non-compete agreement. Then came major surgery to fix two earlier procedures that didn't take along with a pandemic and a global lockdown which prevented me from travelling to the conferences where I'd intended to launch.

Now there's a massive gut-sucking market decline underway thanks to central bankers who have proven to be as feckless as they are clueless about inflation.

My great-grandfather told me getting knocked down was normal … that real success in life comes from standing back up again.

So I did.

Optimism isn't for sissies.

One Bar Ahead™ has paid off in ways I couldn't have anticipated.

I frequently receive letters from readers around the world telling me how my research has given them the inspiration and confidence needed to navigate today's challenging financial markets.

Many for the first time in their lives.

Others tell me how I've helped save their retirement, pay for their children's education, take a dream trip and much more.

I couldn't be more humbled; it hasn't been easy.

I was one of the very first to recognize what the late Steve Jobs intended to do with the iPhone. Apple's up 258.94% over the past 5 years, and 574% over the past 10 years.

I duked it out on stage in Las Vegas with two multi-billion-dollar asset managers who were convinced that Tesla would collapse into a pile of smoldering plastic. And I insisted investors buy shares anyway. Tesla would rise 3,025% from 2016 to November 2021 and a jaw-dropping 20,000% from November 2011 to November 2021.

More recently, recommendations like COST, CVX and LMT have shot higher since I recommended 'em as a protective measure while Wall Street egged the investing public on … then yanked the rug out.

I began to recommend low-beta choices like Pfizer, GIS, and GILD months ahead of Wall Street because my research led me to believe that the current volatility roiling markets would be far more serious than others even remotely considered a possibility six months ago. All are providing a much-welcomed stabilizing influence exactly as planned.

Big tech names like Apple and Microsoft are under pressure of course but I've urged everyone who can to hold on if possible. They're a safe-haven compared to "darling stocks" like Zoom, Peloton, and Netflix.

Incidentally, shares of both companies are approaching valuations not seen in a decade and will undoubtedly create another generation of millionaires before the dust settles.

Meanwhile, recommended hedges including SH and RYURX are shooting higher as the S&P falls lower. The former is up 9.64% while the latter has tacked on 9.52% since late March 2022 when the selling began in earnest.

HELP A WARRIOR, GET RESEARCH FOR FREE

I am not telling you this to brag because that's not my style. The point I want to make is that *we're getting a lot right*.

Which brings me to why I need your help.

Will You Follow My Lead?

There will be more profits created in the next 10 years than the last 50 combined. Being "in to win" is critical in every sense of the word.

We need a strong, secure nation to make it happen... and that's where you come in.

I've made several meaningful donations to the Navy SEAL Foundation over the years because I believe in what our Navy SEALs do and why they do it.

SEALs are unwavering in their commitment to excellence. They will never back down in defense of our nation. We shouldn't back down when it comes to helping them!

I will give the first 25 people who donate $1,000 or more by 11:59PM on June 5th (and email me confirmation), a FREE subscription to all One Bar Ahead™ research for an additional 12 months for free.

Yes, you read that correctly.

I am stepping up because my work has helped readers build wealth during the 20+ years I've been writing about the markets.

The NSF is expanding something called the Warrior Fitness Program to include a new facility on the West Coast as a compliment to the East Coast version already up and running.

A corporate donor has offered to match the additional $1.4 million needed to ensure that Naval Special Warfare personnel have access to the finest medical doctors, speech pathologists, dietitians, physical rehabilitation experts, cognitive specialists and more to help SEALs step off the battlefield, transition to civilian life, or even retire.

But only if we can match it by July 4th.

The long-term physical and mental challenges associated with special warfare operations are significant. Chronic mental and physical health conditions are common.

My friend Chris, himself a former SEAL, attended the program in 2018 and tells me that it's not only changed lives but saved a few, too.

I hope you'll help.

$10, $1,000, $100,000 or more ... it's all good.

Click here to donate

Or, go to the address below:

navysealfoundation.org/donate

If you choose not to donate, I respect that. Thank you for your consideration!

Best regards for health and wealth,

Keith

NAVY SEAL® FOUNDATION

The Navy SEAL Foundation

The Navy SEAL Foundation is a non-profit foundation established to provide critical support for warriors, veterans and the families of Naval Special Warfare ranging from physical and mental wellness to critical care, trauma assistance, and educational funding for those left behind when a SEAL or SWCC doesn't return.

The NSF ranks higher than 99.9% of all charities nationwide having received a Four-Star Rating since 2009 and a perfect score since 2014. $0.93 of every dollar donated directly funds NSF programs or is retained for future mission use.

PORTFOLIO REVIEW

Plus the Fund Folio™ & May OBA 50™

PORTFOLIO REVIEW (JUNE 2022)

Buy the best, ignore the rest!

Foundation Stones (50%)

This category contains companies intended to be the base around which all other choices are built and will account for roughly 50% of overall investable capital. The intent is to create stability that gives you the freedom to pursue more aggressive choices in the other two tiers over time.

There will be some turnover here but, odds are, not much over time because the emphasis is on fundamental underpinnings.

Global Growth & Income (40%)

This category houses companies offering a unique twist on one or more of the "5 Ds" or which are technically of interest and will represent roughly 40% of overall investable capital. The goal with this segment is appreciation potential AND an income boost so expect to see dividend payers and players here.

Turnover here may be based on a combination of technical and fundamental data and may be slightly higher. Market action could also trigger entries and exits.

Zingers (10%)

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

Zingers are fundamentally compelling but are going to be selected based on a higher relative technical analysis weighting using the OBA engine and the MMI specifically.

Expect turnover to be highest in this tier based on technical market action. The probability of losses is highest in this segment.

"Vegas Money"

Vegas Money is exactly like it sounds - it's where we put the stocks that can be heroes or zeros.

Not every stock will be a winner; in fact, quite a few probably won't to be blunt. We'll control risk by position sizing before we buy once we've identified an opportunity that interests us.

This means keeping positions small enough that you don't care if they flame out completely but big enough that you'll feel good if and when they do take off.

0.5% - 1.0% each or less at your discretion. Skip entirely this much risk makes you uneasy.

Hedges

Studies show having between 1-3% in non-correlated investments can help take the sting out of otherwise painful down days by dampening overall portfolio volatility. The tradeoff, of course, is that you give up some upside but that's acceptable to me given current market conditions.

SH and **RYURX** are both 1:1 inverse funds which make them perfect for the task. **UVXY**, though, is a 1.5X hedge designed only for short-term holds at best which is why I advocate using it very opportunistically when the risks of a downdraft are highest.

Position Sizing Guidelines	
Foundation Stones	50%
Global Growth and Income	40%
Zingers	10%
Hedges/Inverse	1-3%
Vegas Money	Investor's discretion

**All data as of 5/31/2022*

PORTFOLIO REVIEW (JUNE 2022)

Foundation Stones (50%)

AAPL

APPLE, INC

Beta
1.07

Yield
0.61%

30d
Δ vs SPX
-5.15%

Total
α vs SPX
4.70%

Notes

Apple makes up roughly 7% of the S&P 500 but has experienced a substantially worse May than the index itself. While that seems problematic at first glance, there's a simple explanation ... Apple is one of the most widely held stocks in the world, which means it feels the "ripples" when highly leveraged big money traders lever up or, as of late, down. Don't let that shake you. Apple is almost always a solid buy for anyone with the longer-term perspective needed to wade through the short-term noise. I hope you have been accumulating on the dips. Services, wearables, search, and even an EV are all on the way (and growing at a phenomenal pace).

JPM

JPMORGAN CHASE & CO.

Beta
1.20

Yield
3.05%

30d
Δ vs SPX
9.16%

Total
α vs SPX
-1.77%

Notes

JPM CEO Jamie Dimon sees an economic hurricane on the horizon thanks to the Fed; I agree. The bank is taking steps to reinforce its balance sheet by pushing clients to non-operating deposits to protect them. This frees up capital and potentially helps JPM absorb bad loans. The bank expects higher net interest income (the profit it makes from loans, securities and cash) even as it's bracing for the storm. Shares are off 15.36% for the year as of press time, but the yield is now 3.10%. Accumulating shares using new money or reinvesting dividends makes sense, especially if you've got a few years to hold. The company has outperformed its peers for more than a decade, and I don't see that stopping soon.

MSFT

Microsoft Corporation

Beta
0.91

Yield
0.91%

30d
Δ vs SPX
-4.22%

Total
α vs SPX
-2.91%

Notes

Many claim big tech has lost its mojo, but I don't think so. There's a big difference between broader market conditions and a failing business. MSFT sales jumped 18% YoY, while EPS is up 14% YoY. The company generates free cash at a staggering rate, some $63.3 billion that it can use to boost dividends, invest in new businesses, and repurchase shares. Shares are trading at a 25% discount to the 5-year average PE of 35X. Buying stocks others are despondently selling is almost always a smart move.

RCS

Pimco Strategic Income Fund

Beta
0.82

Yield
11.29%

30d
Δ vs SPX
0.32%

α vs SPX
N/A

Notes

RCS continues to be pressured by rising rates (bonds and rates move in opposite directions), but I remain confident managers will "ladder" in higher coupon bonds over time. Meanwhile, I am content to enjoy the yield and take comfort in the fact that it continues to trade at a slight premium which means we're not the only ones seeing the value here. The low leverage maturity of just 4.47 keeps us away from excessive volatility, too.

Global Growth & Income (40%)

COST

Costco Wholesale Corporation

Beta
0.69

Yield
0.76%

30d
Δ vs SPX
-11.80%

Notes

COST has been my favourite retailer for a while now, simply because there aren't any other picks that come close in terms of inflation protection and stability. As the big i-word rages, COST is one place that can control shoplifting well, encourage repeat purchases, and continuously offer lower prices.

PORTFOLIO REVIEW (JUNE 2022)

Total
α vs SPX
12.77%

Notes (contd.)
And with a special dividend reportedly around the corner, it would be foolish to let this stock go.

CVX

Chevron Corporation

Beta
1.09

Yield
3.19%

30d
Δ vs SPX
12.80%

Total
α vs SPX
93.31%

Notes
CVX is making new highs as we go to press, and it's easy to understand why given the Fed's actions, supply chain problems and geopolitics. Management announced plans recently to improve operational efficiency that could boost the already appealing 3.19% dividend.

GILD

Gilead Sciences, Inc

Beta
0.24

Yield
4.51%

30d
Δ vs SPX
6.56%

Total
α vs SPX
9.34%

Notes
GILD may well be the ultimate stability play and continues to perform as expected. The company's HIV and hepatitis products remain in high demand, but Wall Street appears to be underestimating the value we see. The company has consistently and materially increased payouts over the past 5 years. Some see Veklury sales (the company's Covid-19 treatment) fading, but the case count suggests that's not likely. The company has several immuno-oncology drugs in the pipeline, any one of which could provide a material boost to non-HIV/ non-Covid revenue.

INTC

Intel Corp

Beta
0.92

Yield
3.28%

30d
Δ vs SPX
-0.98

α vs SPX
3.05%

Notes
CEO Pat Gelsinger made news at Davos last month when he said that the US is "about halfway through the chip shortage" and will likely feel the impacts well into 2024... which is actually great for companies like INTC.

Notes (contd.)
This positions Intel nicely for Foundry and a head start on the $52 billion CHIPS for America Act that's close to passing. Semiconductor demand is growing worldwide and will not vanish in our lifetime, just accelerate.

LMT

Lockheed Martin Corporation

Beta
0.84

Yield
2.49%

30d
Δ vs SPX
2.09%

Total
α vs SPX
40.39%

Notes
LMT, like CVX, has been a bastion of stability in the face of broader market carnage. The company continues to be a market leader at a time when Javelin missile production may double, weapons stocks are depleted, and the geopolitical situation dictates more investment. The company is the biggest, best pure-play in the segment and with a $134 billion backlog, can power profits for decades.

MDT

Medtronic PLC

Beta
1.01

Yield
2.45%

30d
Δ vs SPX
-3.56%

Total
α vs SPX
-2.30%

Notes
Like many, I was not happy with the company's earnings report but didn't see that as a minus under the circumstances. Wall Street has rarely, if ever, understood the bigger picture. Medtronic makes medical equipment and specialized devices that will continue to be in demand even if economic conditions go off a proverbial cliff. It's been in tough spots before and, each time, has outperformed broader markets under exceptionally challenging conditions as it's doing now. Robotic-assisted surgery, incidentally, will be a key growth area and one I expect to move the needle. Don't forget that MDT has raised dividends for 44 consecutive years, earning it rare status as a Dividend Aristocrat.

PORTFOLIO REVIEW (JUNE 2022)

PFE

Pfizer Inc

Beta
0.57

Yield
3.21%

30d
Δ vs SPX
9.55%

Total
α vs SPX
14.51%

Notes
PFE is going to transform itself over the next decade, and Wall Street doesn't yet understand the narrative. That works in our favour for 2 reasons: 1) the company generates a staggering amount of cash from Covid-19 vaccines, and 2) it's already making deals that will help it fuel growth through 2030 and beyond.

PLTR

Palantir Technologies Inc

Beta
1.98

Yield
0.00%

30d
Δ vs SPX
-18.93%

Total
α vs SPX
-73.84%

Notes
Wall Street continues to "hate on" Palantir even as the company charges forward. According to the company's last report, commercial revenue grew 54%, government revenue jumped 16%, and overall revenue increased 31% to $446 million. Institutional buyers quietly continue to acquire shares while letting the weaker players bleed out. The click-bait articles aren't helping but are an important bullish signal as long as the numbers continue to reflect the narrative.

TSN

Tyson Foods Inc

Beta
0.69

Yield
2.04%

30d
Δ vs SPX
-4.02%

Total
α vs SPX
-6.04%

Notes
TSN knocked earnings out of the park and raised 2022 guidance by nearly $5b. The company is one of the precious few that can benefit from rising food costs in the face of demand destruction because people have got to eat. Not coincidentally, TSN is a leading player when it comes to synthetic biology and like CVX with energy, I expect that to pay off a few years from now.

Zingers (10%)

CRWD

Crowdstrike Holdings Inc

Beta
1.38

Yield
0.00%

30d
Δ vs SPX
-20.88%

Total
α vs SPX
-1.76%

Notes
CRWD has also experienced significant volatility in recent trading but remains a diamond in the rough. Research firms up and down the Street have upgraded the stock because cyber security is a growth industry and a value play at the same time. The stock will rip higher at the first hint of slowing inflationary data.

NVDA

Nvidia Corp

Beta
1.41

Yield
0.09%

30d
Δ vs SPX
-3.94%

Total
α vs SPX
-10.37%

Notes
NVDA announced earnings that initially had a lukewarm response because the guidance was slightly lower than expected - at "only" 24% sales growth. Ignore the headlines. The company is still in its infancy, and I have no doubt it'll be of the calibre of Microsoft and Apple within a decade. Their roadmap for AI, chips, and Omniverse is simply unmatched. Accumulate shares meanwhile.

RKLB

Rocket Lab USA, Inc

Beta
1.01

Yield
0.00%

30d
Δ vs SPX
-34.96%

Total
α vs SPX
-52.68%

Notes
RKLB had a relatively quiet month, aside from conducting a launch and test of its mid-air booster recovery using two helicopters. Once this process is refined, it will pave the way to full reusability and becoming a true leader in the smallsat industry.

PORTFOLIO REVIEW (JUNE 2022)

Cash Alternatives (0.5%)

BTC/ETH
Bitcoin/Ethereum

Beta
N/A

Yield
N/A

Notes

The crypto markets as a whole got taken to the cleaners after the mass deleveraging we saw in tech, but also after a (not so) stablecoin lost its peg and evaporated.

Even here, we stick to the best and ignore the rest so continue nibbling into ETH and BTC if desired.

Hedges (as needed)

	YTD performance
SH ProShares Short S&P500 ETF	13.00%
RYURX Rydex Inverse S&P 500® Strategy Fund	12.10%
PSQ ProShares Short QQQ ETF	23.97%
DOG ProShares Short Dow30	8.39%

Notes

Volatility will be our constant travelling companion for the foreseeable future, which means that the need to hedge constantly is critical.

See the May 2022 issue for a hedging guide, and reference chapter 2 of this issue for a quick "cheat sheet".

OBA Fund Folio™

No changes to the Fund Folio this month

Foundation Stones	PORTFOLIO WEIGHT
Vanguard U.S. Quality Factor ETF (VFQY)	32%
Pimco Strategic Income Fund (RCS)	18%

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

Zingers	
BlackRock Science and Technology Fund (BSTZ)	10%

"Vegas Money" Portfolio

Both XPEV and NIO continue to be in a good spot, thanks to Chinese state support, global sales plans and fabulous products. The playbook remains consistent with the Japanese car model of the 1970s and, as such, is imminently investable. Tucking shares away for a while makes sense in the face of what will undoubtedly be exponential growth in the years ahead.

NIO

NIO

NIO Inc

XPENG

XPEV

Xpeng Inc

PORTFOLIO REVIEW (JUNE 2022)

One Bar Ahead™ Model Portfolio

PORTFOLIO DETAILS										
As of 05/31/2022	STOCK	REC DATE	ENTRY $	CURRENT	BETA	YIELD	Profit/Loss	STOP	12-24mo Target	Last Instruction
FOUNDATION Stones	AAPL	1/8/21	$ 132.05	$ 150.10	1.07	0.61%	13.7%	$ 136.51	$ 200.00	Buy/Accumulate
	JPM	3/7/22	$ 135.98	$ 132.28	1.20	3.05%	-2.7%	$ 106.97	$ 200.00	Buy/Accumulate
	MSFT	3/7/22	$ 284.20	$ 273.22	0.91	0.91%	-3.9%	$ 236.56	$ 400.00	Buy/Accumulate
	RCS	10/1/21	$ 6.99	$ 5.34	0.82	11.29%	-23.6%	none	$ 8.25	Hold
Global Growth	COST	8/6/21	$ 439.63	$ 468.87	0.69	0.76%	6.6%	As Desired	$ 634.38	Buy/Accumulate
	CVX	9/3/21	$ 97.06	$ 179.56	1.09	3.19%	85.0%	$ 133.71	$ 219.00	Buy/Accumulate
	GILD	3/7/22	$ 59.45	$ 64.44	0.24	4.51%	8.4%	$ 49.55	$ 70.00	Buy/Accumulate
	INTC	4/4/22	$ 47.54	$ 44.69	0.92	3.28%	-6.0%	$ 36.90	$ 75.00	Buy/Accumulate
	LMT	11/5/21	$ 341.78	$ 441.09	0.84	2.57%	29.1%	$ 351.89	$ 502.02	Buy/Accumulate
	MDT	3/4/22	$ 106.64	$ 100.06	1.01	2.45%	-6.2%	$ 91.12	$ 142.00	Buy/Accumulate
	PFE	3/4/22	$ 47.98	$ 53.09	0.57	3.21%	10.6%	$ 41.38	$ 70.00	Buy/Accumulate
	PLTR	1/8/21	$ 25.20	$ 8.85	1.98	0%	-64.9%	none	$ 50.00	Buy/Accumulate
	TSN	5/2/22	$ 95.00	$ 89.48	0.69	2.04%	-5.8%	$ 69.68	$ 109.81	Buy/Accumulate
Zingers	CRWD	1/6/22	$ 187.49	$ 163.15	1.38	0%	-13.0%	As Desired	$ 295.00	Buy/Accumulate
	NVDA	3/7/22	$ 214.27	$ 190.01	1.41	0%	-11.3%	As Desired	$ 300.00	Buy/Accumulate
	RKLB	12/3/21	$ 12.61	$ 4.91	1.01	0%	-61.1%	none	$ 18.00	Buy/Accumulate

	TICKER	NAME	CURRENT	YIELD	Profit/Loss	Last Instruction
Hedges	SH	ProShares Short S&P500 ETF	15.34	0%	13.00%	Add as needed
	RYURX	Rydex Inverse S&P 500® Strategy Fund	31.14	0.50%	12.10%	Add as needed
	PSQ	ProShares Short QQQ ETF	13.36	0%	23.97%	Add as needed
	DOG	ProShares Short Dow30	34.16	0%	8.39%	Add as needed

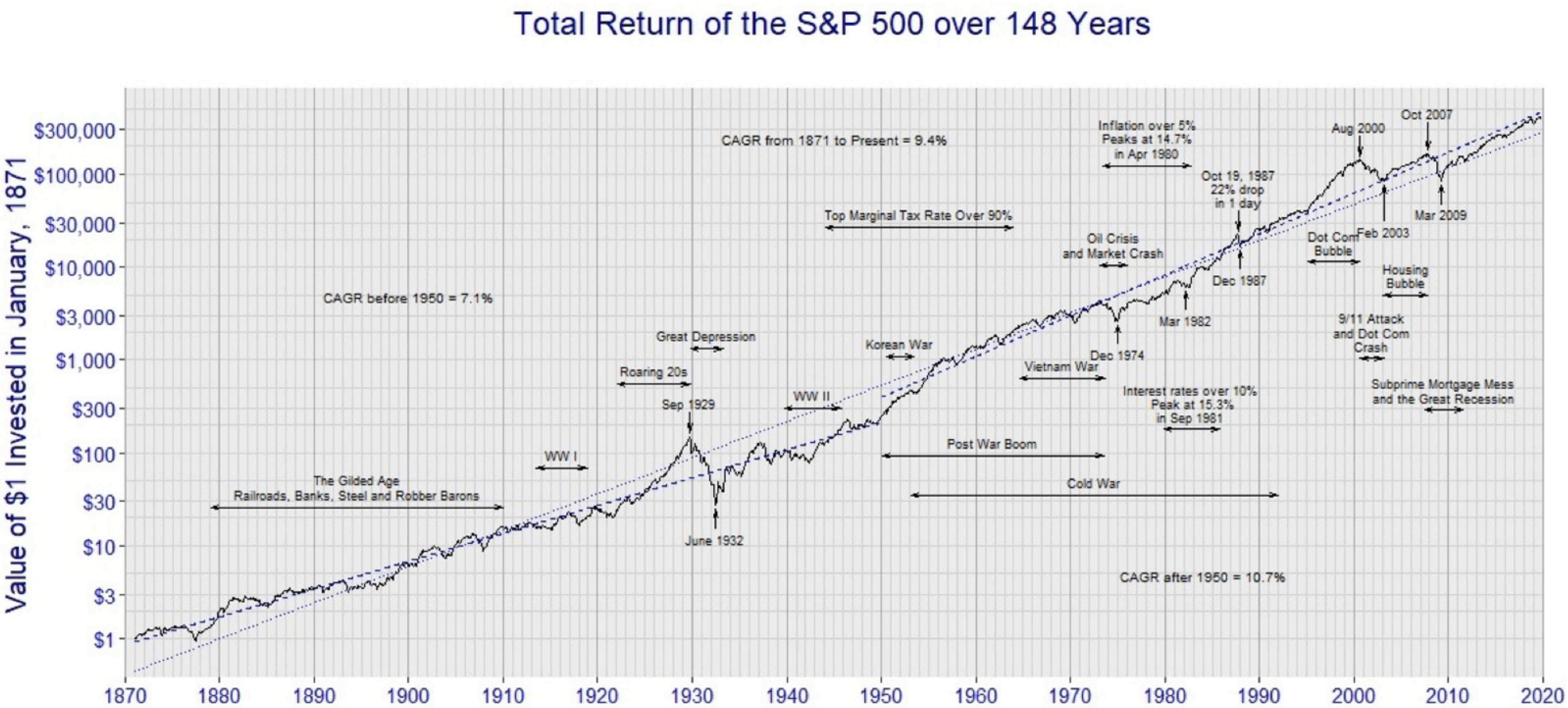
OBA 50

As of May 31st, 2022

Ticker	Name	Ticker	Name	Ticker	Name
AAPL	Apple Inc	GD	General Dynamics Co	NVDA	Nvidia Corp
ADBE	Adobe Inc	GILD	Gilead Sciences Inc	PFE	Pfizer Inc
ALGN	Align Technologies	GOOGL	Alphabet Inc	PLTR	Palantir Technologies Inc
AMAT	Applied Materials Inc	HCA	HCA Healthcare Inc	PYPL	PayPal Holdings Inc
AMD	Advanced Micro Devices In	INTC	Intel Corp	QCOM	Qualcomm Inc
AMZN	Amazon Com Inc	JNJ	Johnson & Johnson	REGN	Regeneron Pharma Inc
CAT	Caterpillar Inc	JPM	JPMorgan Chase & Co	RTX	Raytheon Technologies Inc
COST	Costco Wholesale Corp	LMT	Lockheed Martin Corp	TGT	Target Corp
CRWD	CrowdStrike Holdings Inc	LNG	Cheniere Energy Inc	TMUS	T-Mobile US Inc
CVS	CVS Health Corp	LOW	Lowes Companies Inc	TSN	Tyson Foods Inc
CVX	Chevron Corporation	LRCX	Lam Research Corp	TSLA	Tesla Inc
DE	Deere & Co	MDT	Medtronic PLC	TWLO	Twilio Inc
DIS	Walt Disney Co	MCD	McDonald's Corp	V	Visa Inc
DVN	Devon Energy Corp	MRNA	Moderna Inc	WM	Waste Management Inc
F	Ford Motor Company	MSFT	Microsoft Corp	WMT	Walmart Inc
FANG	Diamondback Energy Inc	NET	Cloudflare Inc	ZTS	Zoetis Inc
FTNT	Fortinet Inc	NOW	ServiceNow Inc		

PORTFOLIO REVIEW (JUNE 2022)

One Bar Ahead™ Model Portfolio



Source: Adapted from chart by Jack Woida via Quora, my annotations

Many investors fail because they lack the longer term perspective to deal with short-term noise.

"When in doubt, zoom out!!"

Chapter 6

MASTER MARKET INDICATOR™

Improve results, reduce risk, find opportunity, gain confidence!

SIMPLE, UNDERSTANDABLE, ACTIONABLE

I've spent 40 years in global markets and if there's one thing I've learned in all that time it's that simplicity counts when it comes to making money. Knowing how to find great stocks, manage risk and which strategies matter is important but knowing *when* conditions favour buying or selling is critical if you want to be in the winner's circle more often.

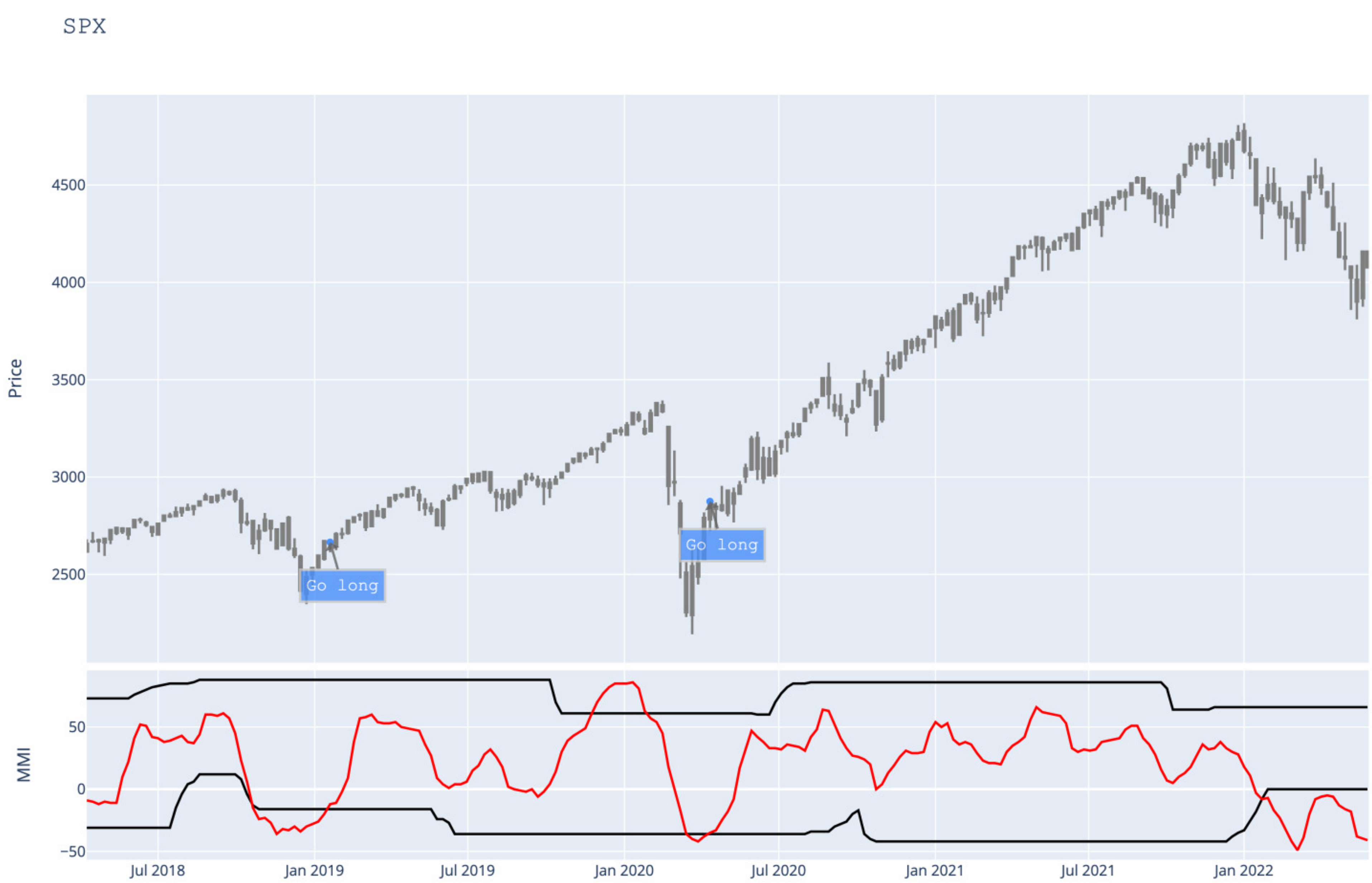
I created the Master Market Indicator™ (MMI) to help me do just that and I include it in each issue so that you can have a visual reference for each recommendation in the One Bar Ahead™ Model Portfolio. I've also included SPX and QQQ so you can better gauge broader market activity as part of the investment process.

Reading the MMI is easy and straight forward.

Lower readings suggest stocks that are positioned for maximum upside when the risk/reward ratio is highest. This is the time to add to positions, sell cash-secured puts or even rebalance into core positions you don't yet own. If you're a new subscriber, it helps answer the question of which stocks to buy first. If you're adding new money, the MMI can help you make that choice too.

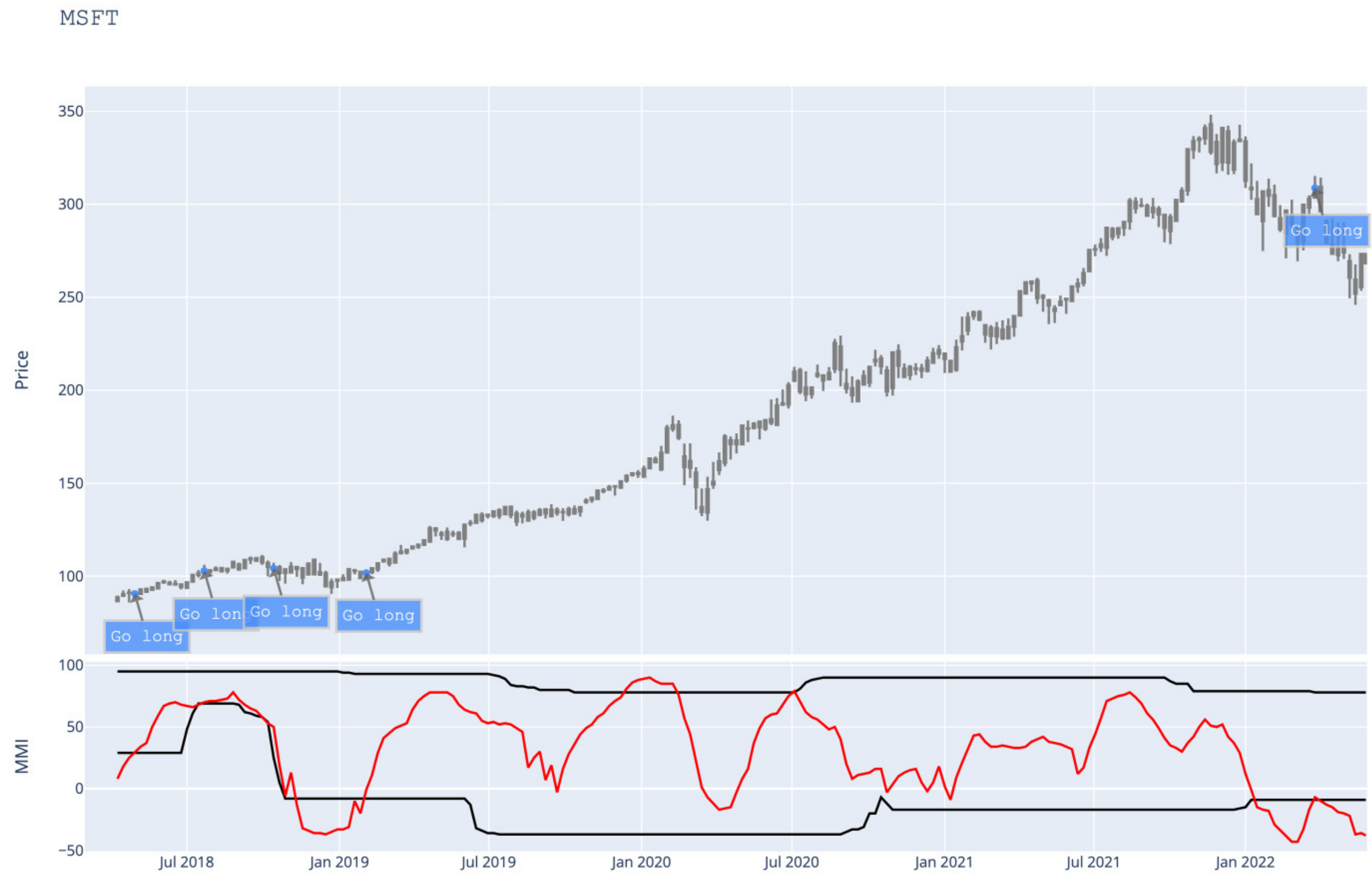
Higher readings are typically associated with stocks that are at risk of flattening out, slowing or otherwise breaking down. This is the time to consider taking profits, raising trailing stops, selling covered calls to lock in an exit or even rebalancing into positions with lower MMI readings.

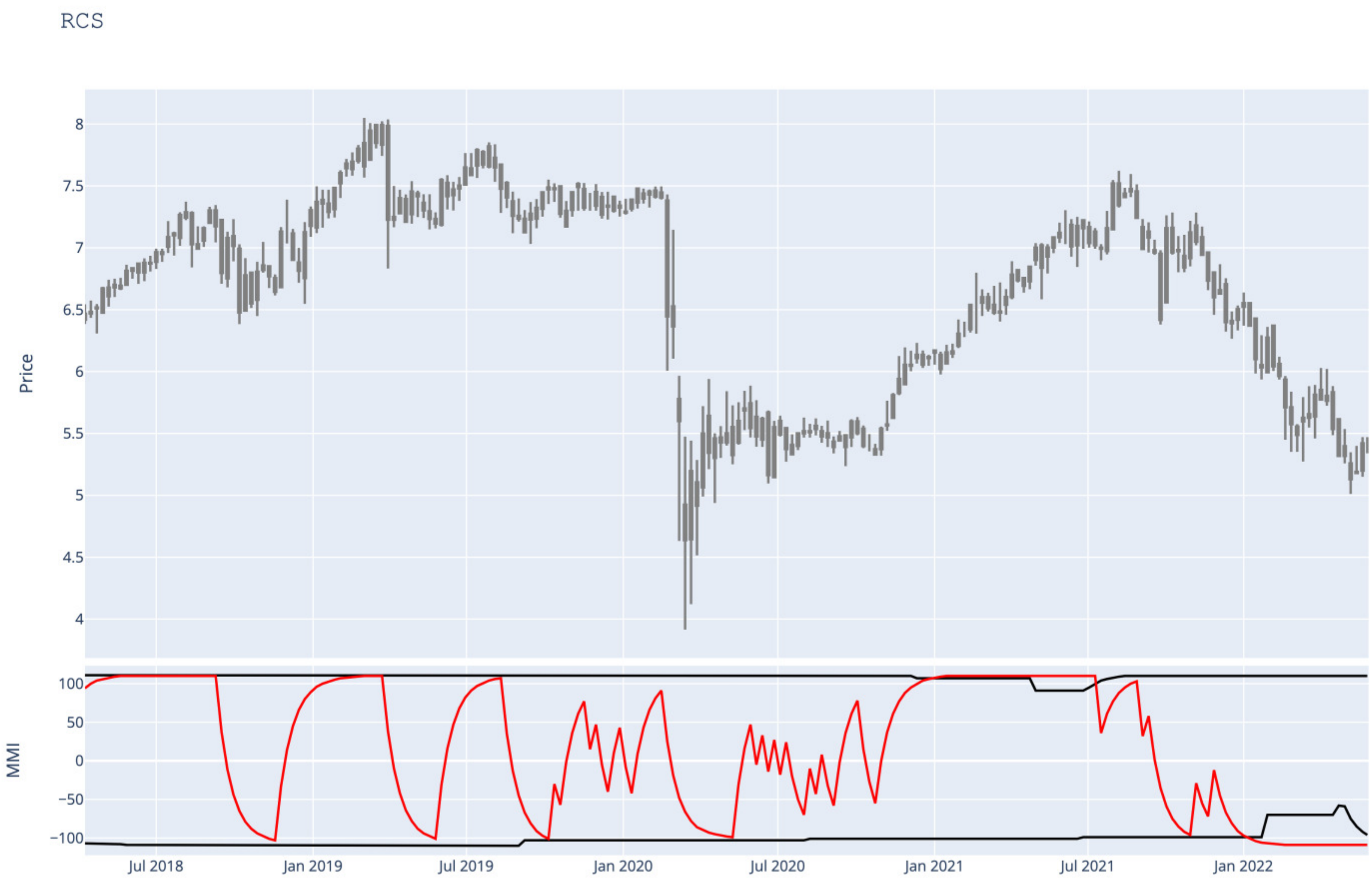
KF



SIMPLE, UNDERSTANDABLE, ACTIONABLE

SIMPLE, UNDERSTANDABLE, ACTIONABLE

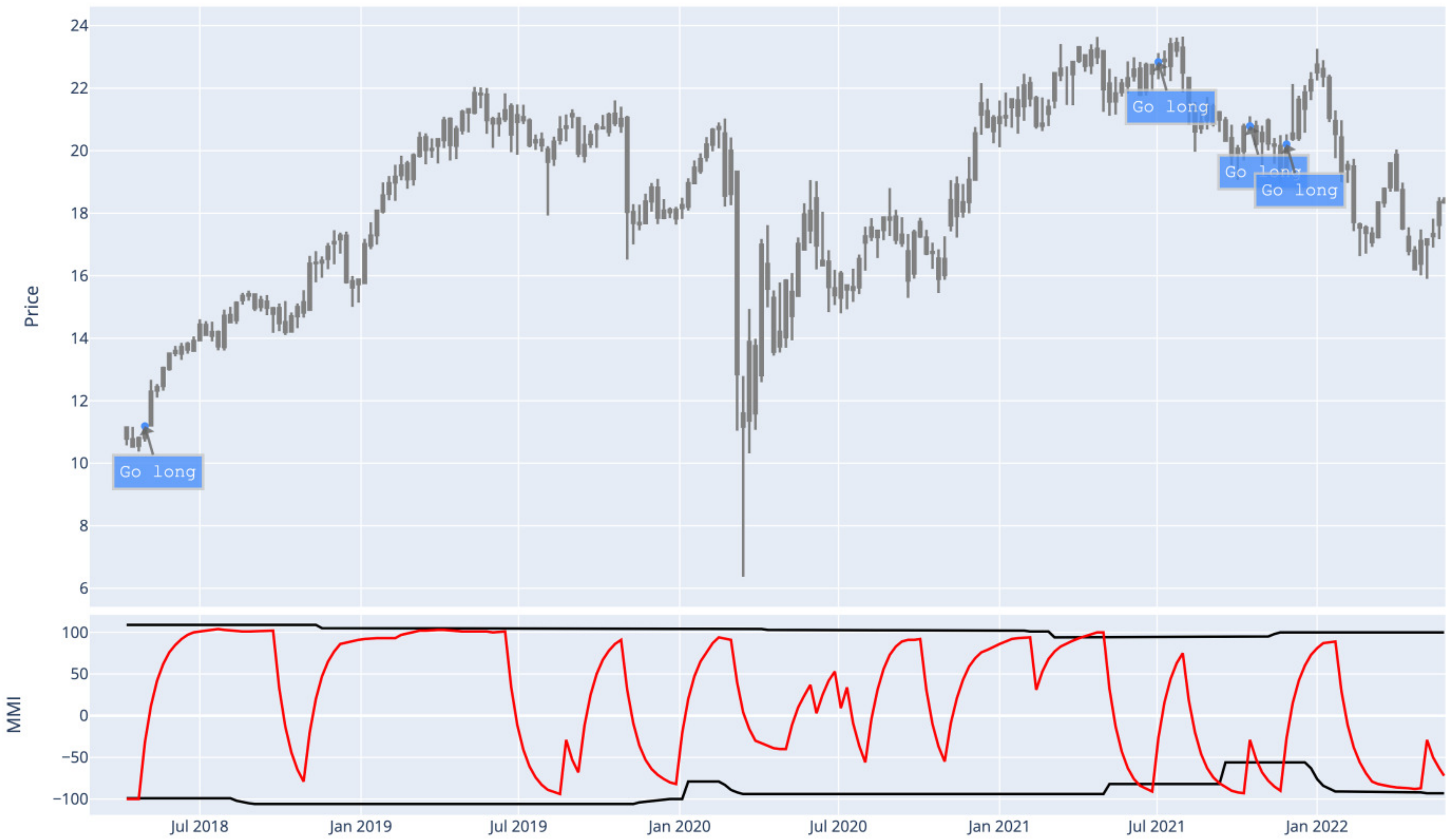




COST


Price
Go long
MMI
Jul 2018
Jan 2019
Jul 2019
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022

CTRE


Price
Go long
Go long
Go long
Go long
MMI
Jul 2018
Jan 2019
Jul 2019
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022

SIMPLE, UNDERSTANDABLE, ACTIONABLE

SIMPLE, UNDERSTANDABLE, ACTIONABLE

SIMPLE, UNDERSTANDABLE, ACTIONABLE


PFE
Price
60
55
50
45
40
35
30
25
Go long
Go long
Go long
Go long
Go long
MMI
100
50
0
−50
−100
Jul 2018
Jan 2019
Jul 2019
Jan 2020
Jul 2020
Jan 2021
Jul 2021
Jan 2022


PLTR
Price
25
20
15
10
Go long
Go long
MMI
100
50
0
−50
−100
Nov 2021
Dec 2021
Jan 2022
Feb 2022
Mar 2022
Apr 2022
May 2022

SIMPLE, UNDERSTANDABLE, ACTIONABLE

SIMPLE, UNDERSTANDABLE, ACTIONABLE

Many investors worry about the prospect of more selling.

That's understandable.

It's also a very expensive proposition.

The markets have now dropped low enough that prices very clearly favour buying over selling when viewed through the lense of longer term profit potential and price action.

The markets have a very defined upward bias. Being "in to win" is the only way you can tap into that over time!

History is very clear about this.

The world's best companies lead the pack for a reason which is why, knowing this, that it's our job to latch on and stay with 'em if at all possible.

HIGH PERFORMANCE OVER 50™

NEW RESEARCH:

Live the life you love!

The BIG IDEA is pretty simple.

Millions of people are trapped in a life they hate, working for someone else on somebody else's terms. And, unfortunately, society likes it that way.

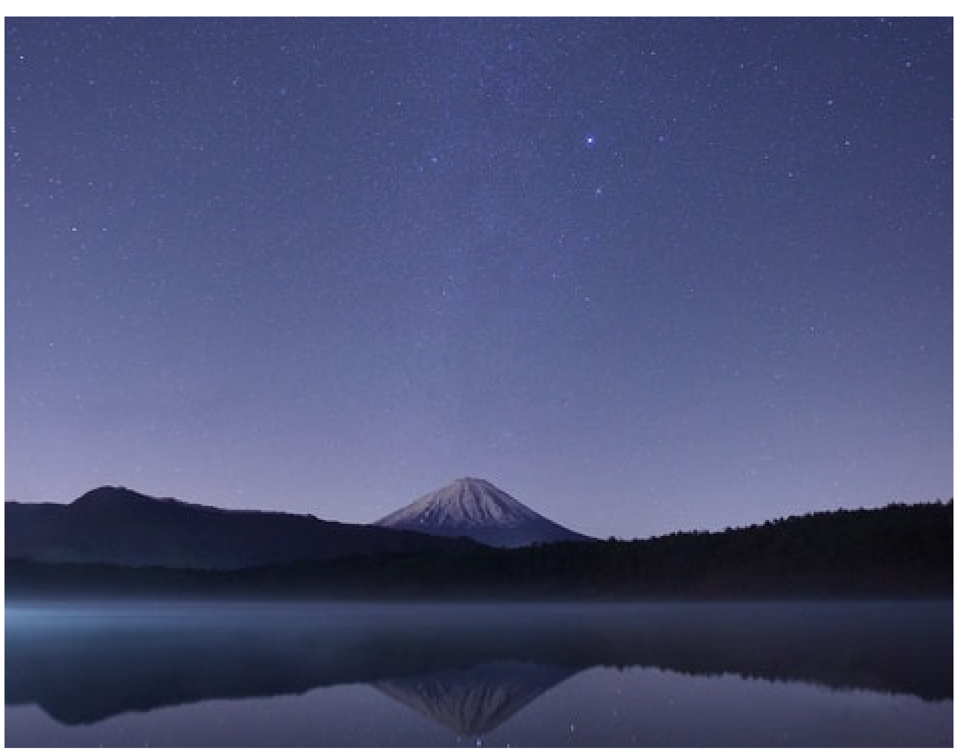
We're led to believe that you're supposed to get up early, slam down breakfast, hop in your car for an often-lengthy commute only to arrive at an office or a job where you work your buns off making somebody else a pile of money.

At the same time, we're supposed to be thankful that we get the weekend "off" before repeating the entire process come Monday morning. Only to wind up burnt out and constantly searching for time that is somehow never truly your own.

Hopelessness, despair, and disenchantment set in. Even the simplest tasks become difficult energy sappers that can rob you of the very life you crave. Headlines become a source of dread rather than inspiration.

Theoretically, you're supposed to save a chunk of what you make and invest that in a retirement fund that you'll access someday in the distance future once you've "earned" it.

Our golden years inadvertently become a source of stress rather than the dreams we've dreamt of for so long.



We're here to sculpt the lives WE want

What a load of hooey!

We're here together - from all walks of life and from all stages of life - because we want three things:

- To build, live and love the life of our dreams with people we cherish and respect
- To escape the rat race of living life by other people's rules
- To leave the world a better place than we found it

This is not hypothetical stuff.

Being One Bar Ahead™ is as *real* as it gets.

Before you start rolling your eyeballs or even if you're merely tempted to roll 'em, here's why I say that.

I've gotten to where I am in life by learning how to invest the time I have. I develop a vision of where I want to be then work backwards.

Most people spend time which is why they never quite wind up where they anticipated. For them, life is one big tradeoff.

To be clear, I am not talking about making goals. That's different.

What I am talking about is the unbeatable combination of optimism and intention.

Social scientists like Dr Gabriele Oettingen, a professor of psychology at New York University say that being optimistic "goes far deeper than just positive thinking."

I agree.

People with high optimism and the intention needed to maintain it will rise to meet the challenge. Pessimists will find excuses if they even try.

Close your eyes and visualize the life you want 5-10 years from now. Where will you live? With whom? What does that look like? What is your day going to be? What matters? Who matters? What inspires you?

Think about what you really want, and start eliminating the unnecessary

Now comes the fun part.

Ask yourself what you really want. Then with that off the table, start thinking about how you'll remove every obstacle standing in the way. Consider whether or not you want to be one bar ahead of the herd or merely playing catch up.

Being optimistic and having the intention needed to maintain that mindset is the difference between defining the life you want on your terms or living somebody else's.

Elon Musk, for example, didn't set out to build an electric car. He had a vision to accelerate the world's transition to sustainable energy.

Cars, batteries, generation, and storage solutions aren't products like most investors think and Wall Street believes. To Musk, they're investments based on optimism and the intention that will remove every obstacle standing in the way of his vision.

Michelangelo, who is perhaps one of the greatest Renaissance thinkers of all time, didn't carve David from a massive block of marble. He removed everything that wasn't David.

Steve Jobs didn't want to build a computer like executives at Tandy and Commodore did when he started. He wanted to create something that would change the world and his vision was so specific that you couldn't help but buy in.

Some people will call this a "pipedream" and that's okay. They'll never understand the things you and I talk about regularly. They'll try and they'll talk about trying a lot, but they'll never make the moves they need to. Sadly, that's where they'll remain for the rest of their days.

Others will call the concept of high performance living and being One Bar Ahead™ a "plan" and that's okay, too. They'll read what I have to say and get really excited as the flicker of hope begins to burn brightly in the back of their brain. Unfortunately, that's as far as they'll take it. They'll constantly lust for more but bemoan the fact on their deathbed that they never "went for it."

A few folks, though, will read One Bar Ahead™ and consider it a "strategy."

Hopefully, that's YOU!

My goal, if I'm doing my job right, is for you to tear through every issue, every email, and every seminar. Then charge out the front door and grab life by the horns.

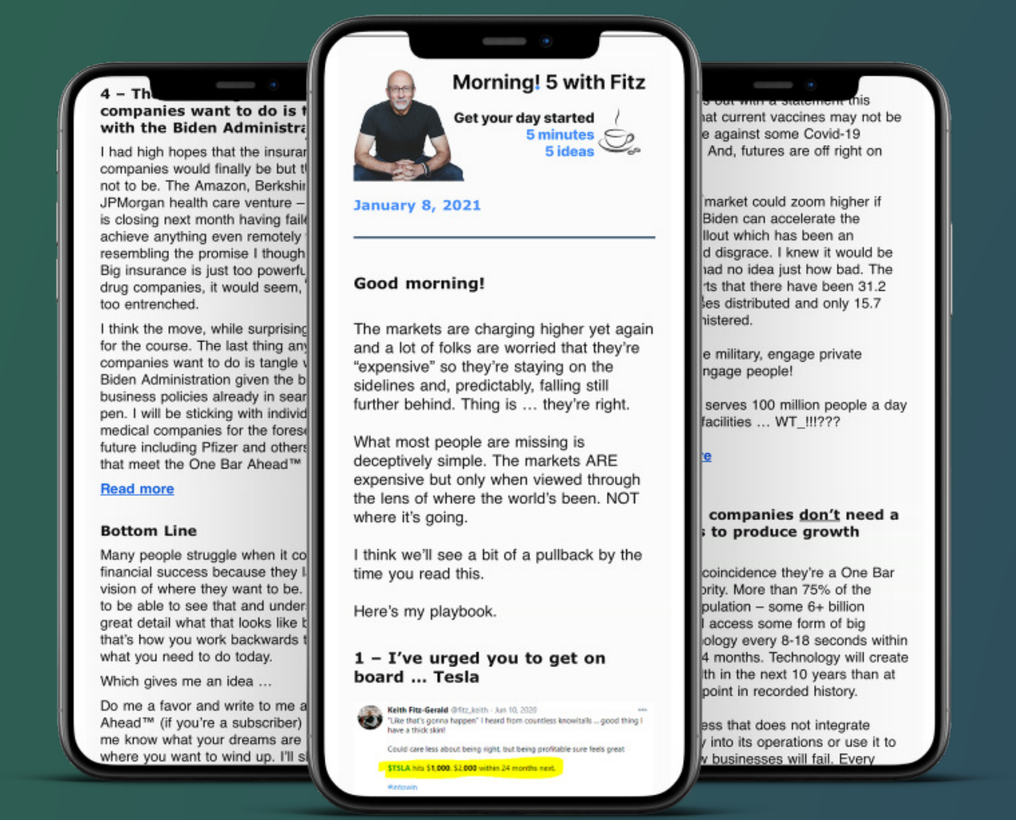
Optimism + Intention = Results

In life and in the markets!

KF

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

For more of Keith's analysis and research, make sure you're signed up to get his daily trading notes for FREE!

Often described as the next best thing to sitting next to him when the opening bell rings, some readers even go as far as saying it's the best part of their morning!

SIGN UP NOW

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