MARCH 2021 ™

One Bar Ahead

BY KEITH FITZ-GERALD

THE "INFRASTRUCTURE" ISSUE

2 Top Infrastructure Stocks

To Buy in April

The "Other" Bitcoin

... and why you should own it

Don't Get **SPAC**'d Again!

Unlock Profit Potential

with Covered Calls

Reimagining the

Future of Travel

with Keith

Surprising science!

Feel Better
Think More Clearly
Reverse Aging

Disclaimers

Important Information You Need to Know

One Bar Ahead™ (“The Content”) is provided for informational purposes only and does not constitute and should not be construed as a solicitation or offer, endorsement, or recommendation to acquire or dispose of any investment or to engage in any other transaction whatsoever. Nothing in the Service constitutes, nor should it be construed as, investment, legal, tax or other advice of any nature whatsoever and it should not be relied on in making an investment or other decision. You should obtain relevant and specific independent professional advice before making any investment or other decision. You hereby agree that you will not hold Fitz-Gerald Research Analytics, LLC (“FRA”) responsible at law or in equity for any decisions of whatever nature you make or refrain from making in connection with your use of the Service. You further specifically acknowledge and agree that:

(a) FRA is a publishing company dedicated to providing innovative research for extraordinary times and fintech development. FRA is NOT a United States Securities Dealer or Broker, or U.S. Investment Adviser, nor a registered trader, dealer, or broker of ANY jurisdiction and or country. Further, FRA’s principal, Keith Fitz-Gerald, is an independent market researcher, analyst, and subject matter expert. His opinions are his own and he does not accept compensation in any form from any company or companies he reviews.

(b) All investing has inherent risks, and it is impossible to guarantee future results or profits. You understand and agree that past performance does not assure future results and that you can lose some or all your money in any investment. You understand and agree that the content does not constitute a specific recommendation of any particular investment, security, portfolio, transaction, or strategy, nor that any specific course of action is suitable for any specific person, including you.

(c) FRA’s products and services are general in nature and are not tailored to individual financial circumstances, trading background, or experience. Neither FRA nor any of its staff, analysts or other personnel will provide you any personalized investment advice, and you therefore agree that you shall not solicit or attempt to obtain any such advice from FRA, or from any of its staff, analysts or other personnel.

(d) While FRA’s staff and/or personnel may own positions in certain securities mentioned in or on the Service, such ownership does not constitute an endorsement or recommendation of any such securities. You are advised to consult qualified investment and financial professionals before making any financial, investment, or trading decisions. It is your money and your responsibility.

(e) FRA uses various methods to evaluate investments and trading opportunities which may, at times, produce contradictory recommendations with respect to the same securities. When evaluating the results of prior recommendations or performance rankings or scoring, you should also consider that FRA may modify the methods it uses to evaluate investment opportunities from time to time. For this and for many other reasons, the performance of past recommendations or investments is not a guarantee of future results or that you will obtain similar results.

Publisher’s Statement

One Bar Ahead™, a digital magazine (ISSN 2766-7863) is published 12 times per year electronically by Fitz-Gerald Research Analytics, LLC.

Known office of publication is 1004 Commercial Ave #365, Anacortes, WA 98221 USA.

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

Keith Fitz-Gerald’s ONE BAR AHEAD™

Chapter 0

Letter from Keith

Chapter 1

2 Top Infrastructure Stocks to Buy in April

Chapter 2

Power Trading Technique: Covered Calls

Chapter 3

The “Other” Bitcoin and Why You Should Own It

Chapter 4

Fascinators: All About SPACs

Chapter 5

Portfolio Review

Chapter 6

Thinking “One Bar Ahead” About Travel

Chapter 7

Ask Keith

Chapter 8

The Surprising Reason We’re NOT Ready to Embrace EVs

Chapter 9

High Performance Over 50: Live Stronger, Think More Clearly & Reverse Aging

Letter from Keith

Dear Reader,

Many people think that life comes at ‘em or is something that “just happens” but that doesn’t sit well with me. I’ve always believed life is what you make of it, especially when it comes to money.

I started cutting lawns in my early teens because I needed cash and because I wanted to be in control of my own destiny. It was hard work in the hot Georgia sunshine, especially when my buddies were hanging around at the pool or tubing in the nearby Chattahoochee River. I could have easily given up, but I didn’t - others saw a machine while I saw opportunity.

The first summer was tough. I managed to land only a few customers, yet I kept at it. I began repairing my mower and learned how to sharpen blades and trim edges. I figured out how to use a rake properly. I recall getting poison ivy, bit by more mosquitoes than I could count and a nasty snake or two as well.

Critically, I never once thought about not cutting grass. You could say I was “in to win” even back then!

I knew instinctively that my mower gave me a path forward that was uniquely mine and mine alone. The more I worked, the more money I'd have and the more freedom I'd earn. I got really good at asking for referrals.

The summer after that, things changed. Turns out there were plenty of folks watching from a distance who valued the hard work I put in and the pride with which I did it. My lawn cutting venture quickly took on a life of its own and much to my surprise I soon had more opportunity than I could handle in the neighborhood.

The money I collected wasn't anything to speak of in today's terms … just $5 - $10 a lawn … but it was all the money in the world to a 12-year-old kid like me back then. The bonuses, though, were another matter entirely!

My pals couldn't hide their envy when one happy customer paid me 5X my normal rate just because I helped him clean up from the most recent storm and raked his yard for the second time in a week ahead of a family wedding … without being asked. Not bad!

I learned that I could create value with what I had. And, importantly, I also learned that there was nothing holding me back. I could be in charge of my future or help build somebody else's.

I kept cutting lawns until I went to college and, in fact, used a good chunk of the money I'd saved to place my first trade in a little company I'd heard about from my grandparents … IBM.

These days, I still take great pride in cutting my own lawn. Admittedly, I struggle to push the mower every now and then on the hill that passes for grass in our front yard. And, the weather is still plenty hot at times. But I will be danged if I'm going to quit, even if I have aged a little. 😊

My point is this … many people tell me they can't invest because they don't have money, they're too young or too old. Or, that they simply can't be bothered. I'm not sure any of those things are true; they just feel that way.

No doubt your journey will be different – maybe shorter or perhaps longer. You may be learning how to invest and trade for the first time or keen to relearn things you thought you already knew a bit about. Either way, there's a life of prosperity ahead.

I've got a great set of recommendations for you this month starting with something that's on a lot of people's minds but which very few investors are really thinking about … infrastructure. Talk about "making" profits … wow!

People think infrastructure is about crumbling roads, failing bridges and increasingly antiquated power grids and that's true when you take a cursory look. When you look deeper though, infrastructure is really about finding companies and services that make money helping people build their future the way I learned to build mine cutting lawns. I'll explain more in Chapter 1.

If you're looking for income, I've got you covered with another of my favorite Power Trading Techniques – Covered Calls. It's a great way to boost returns, lower risk and create income where, often times, there isn't any. That's in Chapter 2.

Not coincidentally, I've also got an interesting look at cryptocurrencies including a new recommendation that could come "up" fast. The vast majority of investors still don't own it but probably should as the world reopens. See Chapter 3 for more.

And, finally, if you could use a boost but are frustrated by current medical thinking like I am every now and then, I've got a few thoughts on blood oxygenation. Not to mention some personal experience that may help you live better, stronger and, dare I say it, possibly even longer!

As always, I'd love to hear what you're up to. What changes have you made to your investments in recent months? How's that working out and where are you focused on building sustainable, big-picture wealth? Have you tried Selling Cash Secured Puts yet as I suggested in the February issue or recently made your first Free Trade? My team and I read every note and I think what you're doing is great!

I'm watching the re-opening carefully as you are, no doubt. I'm planning to get back on the road this summer and I'd love to see you in Las Vegas from July 28th – July 30th at the MoneyShow, so please save the date.

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

Best regards for health and wealth,

Keith

P.S.

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

The address is magazine@onebarahead.com.

Chapter 1

2 TOP INFRASTRUCTURE STOCKS TO BUY IN APRIL

$2.1 Trillion Reasons the Herd Could Easily Get this Bet Wrong (Again)

$2.1 Trillion Reasons and 2 Easy Ways to Invest in Infrastructure

Value vs. Growth

Millions of investors are blithely plowing their money into so-called recovery stocks, particularly value-oriented names lately. They're doing so because they think that value will trump growth over the next 12 months.

Unfortunately, the herd is almost always wrong. Following along could actually be a disaster for your portfolio. Especially now that the President has laid out his $2.1 trillion infrastructure plan.

The situation reminds me of late 2009 when investors made the same assumption and chose to abandon growth stocks in favor of so-called value stocks. And, again in 2014 when value stocks were assumed to be the winner. And, yet again in mid-2016 when the big money did everything it could to convince individual investors that value would be the way to go.

Growth outperformed value by 10% from 2009 to 2010 with the former up 29% while the latter grew just 19%. In 2014, growth rose 6.3% while value stocks fell roughly 3% for a 9% buzz cut. In 2016, growth stocks tacked on 19% starting mid-year for a 12-month run while value stocks rose just 16%.

Growth stocks are propelled by revenue growth, earnings growth, and cash flow growth – hence the name. Value stocks are propelled by great companies trading at deep discounts. That's why I'd rather place my money in beaten down growth stocks than hunt for "value" on the cusp of a re-opening trade that will create an earnings explosion. Especially when it comes to infrastructure.

If you're like most investors, your mind is already shifting gears. This is simply not something you're going to hear from mainstream media or Wall Street itself. History shows very clearly that looking beyond the headlines and, in cases like this one, taking the opposite approach or merely a different approach is how you can make a lot of money.

The state of our national infrastructure is a disgrace

Infrastructure makes sense

There's no question that our roads are a national disgrace and many of our most important bridges are at risk of collapse. Airports, highways, sewers, the electric grid and more … all turning to dust.

Infrastructure makes sense instinctively. We've all driven over monster potholes or suffered a critical electrical outage at one point or another but that's where the thinking usually stops. And, not coincidentally, where the opportunity starts.

President Biden recently laid out a grand $2.1 trillion vision that will result in 20,000 miles of road repairs, 10,000 bridges renewed, freight and passenger rail repairs, ports, water pipes and even $100 billion for broadband … if it goes as planned. You'd think infrastructure is a relatively straightforward situation under the circumstances and many folks do.

continued. →

2 Easy Ways to Invest in Infrastructure

It’s hard to pick winners

In reality, infrastructure investing is one of the single most challenging things you can do as an investor because the “value” everybody is looking for gets squandered. Most government plans go awry long before they really create the benefits they’re supposed to.

Predictably, the overwhelming majority of investors will make the same mistake they have historically made. They’ll focus on finding quick-buck nuggets like which concrete company will benefit from what projects or which steel makers are going to kick up production to meet the President’s objectives. Many will get burned a la Solyndra, which was a classic case of Green Energy government cronyism that cost the American taxpayer $535+ million a decade ago.

Focusing farther and deeper into the value chain makes much more sense.

Growth is where we – you and I – really want to be especially when we can identify and tap into companies making, selling or servicing things that every infrastructure project requires to be successful.

The gap between projected needs and likely infrastructure investment is at least $2.6 trillion by 2029 and may be as high as $5.6 trillion by 2039 according to a new report from the American Society of Civil Engineers (ASCE). If anything, the President’s plan is understated!

Failing infrastructure creates a cascading loss of wealth that trickles through every last nook and cranny of our country. The average American household may lose $60,000 or more in disposable income over the next 20 years because of failing infrastructure. Not surprisingly, that’s the real play here.

I’ve got just the companies in mind!

Turning trash into cash

If you’ve been reading my research for any length of time whatsoever, you know that I prefer big picture investments backed by trillions of dollars in spending that will occur no matter who’s in the White House, no matter how Wall Street tries to shift things in its own favor and, practically no matter what moves the Fed makes next.

You also know that I favor companies that are best in class as well and capable of operating at $1+ billion scale in line with the 5D’s over those that aren’t.

My first recommendation this month is a safety-first choice. It’s also, frankly, the closest thing to a “dream stock” I’ve seen in a long time and the President’s infrastructure plan makes what it does even more valuable.

I’ve recommended **Waste Management (WM)** several times over the years starting in 2013 when it had only 21 million consumers and was trading under $40 a share with just a 3.6% dividend. Now, with the President’s plans kicking into gear, I’m recommending it again.

Waste Management has added another few million consumers to the tally while also dramatically expanding operations to become the dominant industry leader. Growth is on track for 10%+ a year and the company has delivered 17 consecutive years of dividend increases.

2 Easy Ways to Invest in Infrastructure

The average 3-year Capex (Capital Expenditure) is $1.67 billion which is, critically, driven by growth and paying customers. That's in sharp contrast to the spate of recent SPACs and IPOs where management is spending money hand over fist in an effort to land customers in the first place while incurring tremendous losses.

Shares are trading at $129.77 as I type. Every $1,000 invested back then around $40 would be worth $3,655.22 today and every $10,000 an appealing $36,552.25. That's a healthy 265.5% return according to DQYDJ.com, including reinvesting dividends, a practice I encourage wholeheartedly.

Waste Management has everything needed to put us "one bar ahead" of the herd!

Not for nothing but I think this is very telling … the famously conservative Bill and Melinda Gates Foundation owns 4.4% of outstanding shares according to Yahoo! Finance while the other top 3 owners are all index funds.

The real story behind trash

People think they know a lot of about trash, but I can almost guarantee you they don't. At least not the way we're thinking about it and not the way One Bar Ahead™ looks at it.

Every infrastructure project has one thing in common … it's a construction/job site which means that it's also a major disposal operation. Every bit of material used to reconstruct roads, bridges, rails, ports, pipes, sewers and more comes in on pallets, lashed to trucks, in bags, on trucks, etc.

Take a look the next time you're out on the road and you'll see what I mean. More often than not, there's trash and construction debris all over the place no matter what the underlying project. All of it needs to be hauled away before the project is finished. In fact, trash and debris disposal is so critical that occupancy and completion permits may not be issued if it isn't cleaned up.

Waste Management is the dominant leader. The company is already a $54.71 billion player operating at scale and earnings are growing at roughly 10-15% a year. The average operating margin is 15-16% with an average return on equity (ROE) of nearly 30%.

More than 75% of the company's revenues are annuitized, an expression you've heard me use with regard to Pfizer (PFE) and Gilead Sciences (GILD), both of which are already in the OBA Model Portfolio as "Virus+" plays.

Many people don't give this a second thought because they're too busy looking for quick money but this is a critical component in my research and the One Bar Ahead™ approach because it's steady money.

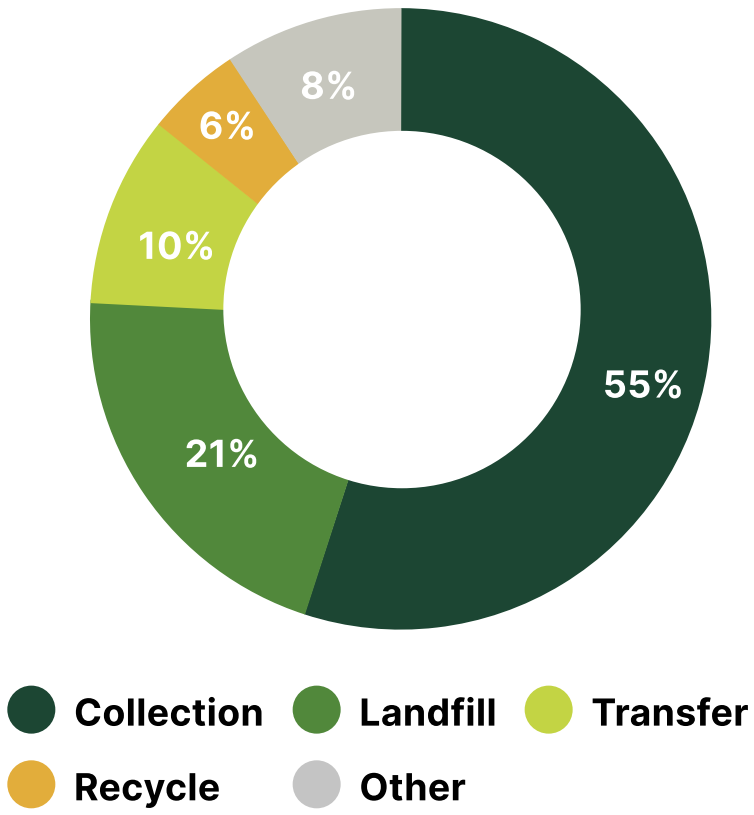
Simply put, companies operating annuitized revenue models (licensing, production contracts, backlogs etc) can and usually do offer much more sustainable investment returns than companies that do not.

You just don't see numbers like these under normal circumstances, so they really stand out now at a time when the world is re-accelerating and the President intends to toss another $2.1 trillion into the hopper.

Waste Management has an extraordinarily well-balanced network of hauling, transfer, processing and landfill operations that spans the country and extends into Canada as well. The company is as essential as they come and as recession resistant a choice as I can find ahead of the reopening.

Waste Management generates roughly 55% of overall revenues from collection, meaning that the company's fleet is picking up trash in different locations and transporting that to processing sites. Roughly 66% of that is commercial and industrial waste but I think the figure could hit 70% very shortly as infrastructure spending takes hold and the economy reopens.

2 Easy Ways to Invest in Infrastructure



Breaking down WM's revenue

Source: WM Earnings Report Q1 2021

I am particularly attracted to the company's business model when it comes to stable, long-term profit potential because Waste Management can make money 2-3 times from every bit of debris that's recovered. The company gets paid once to pick stuff up (usually from the dumpster clients rent in the first place), then twice when recycling and selling the processed materials.

Recycling accounts for about 6% of WM's revenues which doesn't sound like a lot but it's a business segment that's been growing by 28% YoY (Year over Year). I think the President's plans kick this into overdrive because of the emphasis on "clean and green" when you factor infrastructure projects into the mix.

For lack of a better term, what Waste Management does with trash is very similar to the approach Apple takes with its digital ecosystem, just a whole lot smellier and more dangerous!

Making trash a "people business"

Trash is a tricky business because the entry barriers are very high and very expensive. You just can't run a trash route like you used to ... not that I'm interested in doing so, mind you.

It's vitally important work and the Waste Management Team understands that from the C-suite right down to the operators on the streets you'll see on your job site or at the end of your driveway.

Companies frequently talk about putting people first but everything I see with my own eyes and hear anecdotally suggests that Waste Management is one of very few companies that actually do. That speaks volumes because a highly motivated workforce and a differentiated consumer experience are critical to generating sustainable profits.

The other thing that stands out when I look at Waste Management is how solid and consistent management is with regard to expansion. The company won't do a deal that isn't additive, meaning immediately strengthens the company's operations, furthers its footprint or otherwise adds to the top and bottom lines.

Waste Management, for instance, recently completed the acquisition of Advanced Disposal Services in October 2020 for a reported $4.6 billion. This deal adds an estimated 3 million new residential, commercial, and industrial customers for WM across the east coast and required an $863.5 million divestiture in 10 states to GFL Environmental to assuage competitive concerns.

2 Easy Ways to Invest in Infrastructure

Speaking of which, I also think it's worth noting that the company returned a phenomenal amount of money – more than $2 billion - to shareholders over the past 3 years, again leading up the May presentation. The share repurchase plan was temporarily suspended to preserve cash when Covid-19 hit but reports suggest that management has already carved aside another $1.35 billion for possible use this year and into 2022.

At the same time, management has announced plans to raise the company's dividend to $2.30 per share which will be the 18th consecutive dividend increase if it happens. That puts Waste Management within spitting distance of becoming a so-called "Dividend Aristocrat."

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

The Universe

Waste Management is nearly perfectly situated in the One Bar Ahead™ **Value Spectrum**. It's just gone "blue" which means it meets the price, liquidity and quality metrics needed to make the cut and identify an entry at the same time. I expect the stock to track up (which is ideal) as quality improves versus the broader markets and to the right as price and liquidity improve (which we want).

Value Spectrum

Fundamentals

The Piotroski Score plays an important role in my research and has for years because it's a well-studied, super well-researched means of assessing value against price using the underlying fundamentals of any given company as a means of gauging quality against investment risk.

Historically, companies measuring 8-9 points on a 9-point scale have been the ones you want. But my ongoing research shows that's changing and that the better starting point today may be 5-6 when it comes to tomorrow's profits. Particularly if the Piotroski Score is stable over time despite wildly changing market and capital conditions.

That's the case with Waste Management as I type. The company's Piotroski Score is a 5 of 9 possible points but, critically, stable for some time now. I expect that to rise over time which would be in keeping with expectations related to underlying quality stocks more typically associated with Warren Buffett like value-based analysis.

2 Easy Ways to Invest in Infrastructure

The Master Market Indicator

The MMI is higher than I'd like as I type but that's not the end of the world. We are playing for the next 10 years of profits, not just the next 10 days like most people.

The MMI is near the upper end of its range at the moment which is consistent with the possibility of a pullback. That's always a great thing because it allows us to identify precisely the levels and approximate timing ahead of other investors lacking this kind of predictive analysis.

There are a few ways to play this depending on your skills, risk tolerance and objectives.

First, if you're a straight stock buyer, I suggest buying shares under $130. I recommend splitting your capital into chunks that you then invest consistently over the next few weeks or months. This is called Dollar Cost Averaging and the idea here is to harness anticipated volatility and a possible pullback that will tar and feather other investors.

Second, if you're a straight stock buyer and just starting out, consider using fractional shares in the same way. There's no law that says you have to risk everything all at once. Breaking any investment into chunks like I'm recommending can take a bit more work but it's key when it comes to capitalizing on chaos other investors can't see coming.

Third, if you're options savvy, considering **Selling Cash-Secured Puts** as I detailed the strategy in the February Issue. It's a great way to increase your probability of profits even as you get paid to "go shopping" and simultaneously introduce discipline into the investment process.

For instance, WM is trading at $132.20 as I type but you could sell the April 16 2021 $130 puts in an attempt to buy at a discount as I'm doing (.WM210416P130).

As always, sell cash-secured puts ONLY if you have the cash needed to buy a corresponding number of shares for each put option you sell at that price. Paper trade if you're not sure or practice until you can confidently field this strategy before putting real money on the line.

Action to take:

Buy Waste Management for **$130 a share or less** to dip your toes in. Plan on adding shares below $120 as a way of capitalizing on any short-term volatility that throws other investors off kilter. I suggest tucking shares away in the Growth and Income segment of your portfolio. Implement a **trailing stop 25%** below your purchase price immediately as a precaution in case the markets have other ideas. Feel free to set that trailing stop in the 8-10% range or even tighter if that fits with your personal risk tolerance and objectives (which I don't know).

I suggest selling **Cash-Secured Puts in the $115-range** when the time comes if and when there's a pullback. I cannot recommend specific strikes and dates just yet because the pullback OBA says is possible hasn't happened. Still, that's the neighborhood we'll be exploring!

2 Easy Ways to Invest in Infrastructure

This infrastructure company can win no matter what

President Biden's $2.1 trillion infrastructure spending bill made headlines recently as expected. Problem is that many investors are hunting for profits in all the wrong places as a result.

The purest path to profits is laughably simple as is frequently the case when there's government spending ahead – pick the best company you can find making money on money. Then, sit back and watch it "catch up."

My choice is a key beneficiary when it comes to the President's plans. However, it's not another off the radar construction company or some never-heard-of miracle technology related to EVs like many investors might expect. Instead, it sits squarely in the middle of the financial universe.

You may be wondering what in tarnation this has to do with infrastructure, and you wouldn't be alone in your thinking. But that's exactly the point.

The vast majority of investors don't think of this company as a typical infrastructure play, but they will and, odds are, very shortly.

You see, the President's bill isn't really about pipes, concrete and steel. I've read it and, aside from the fact that it ranks right up there with watching paint dry, the bill is loaded with stimulus spending. In fact, it's such a glaring tilt that calling the President's proposal an infrastructure bill is a stretch.

What the President it really pushing is something the Democrats are labelling "Social Infrastructure." There's handouts for wind, solar, EVs and other traditional stuff that you're hearing about but there's also billions allocated to welfare, social payments and more – hence the term.

Which brings me to **Visa (V).**

I think Visa is among the most under-rated, misunderstood companies out there at the moment, even though it's a household name.

People think Visa can't get much bigger and more prominent because it is already "big and prominent" and trading at $216 a share. That doesn't really hold water for the simple reason that bigger companies usually get a whole lot bigger and even more prominent.

Not for nothing, but that's exactly what people said about ... Apple several splits ago, Tesla before it split and Amazon at $300. The argument simply doesn't hold water.

Today's markets, as we have discussed many times, are driven by a combination of liquidity, throughput and size. That's why you want, more than ever, to stick with the winners.

Visa's business model is laughably simple

Visa's business model makes money when money itself is on the move. And, as the President's bill makes clear, there's going to be a lot of that happening very soon.

2 Easy Ways to Invest in Infrastructure

$17,700,000

Every minute.

That's serious scale.

Many people understand this intuitively, but very few have grasped the magnitude of what this means for a company like Visa. And, as I will explain momentarily, the implications are significant.

Visa processed more than 140 billion transactions totaling roughly $8.8 trillion in 2020 alone. That's $17.7 million every 60 seconds if my back of the envelope calculations are correct. I see that jumping to $10+ trillion or roughly 13.64% higher this year as the global re-opening accelerates and the President's stimulus plan gains traction. Perhaps, more.

The "swipe fee" is key.

Every time you make a purchase using a Visa card, merchants charge you a "swipe fee" to process your purchase. The largest part of this fee is called the interchange and goes to the banks issuing the credit card being used.

Swipe fees have historically averaged something on the order of 2% but I've heard about fees as high as 4% over the years. Usually, those – the higher fees- are associated with so-called affiliate programs or some sort of premium rewards.

Congress, of course, perceives swipe fees as being onerous. There have been numerous attempts to limit and reign 'em in or at least control how they're set. Further, Visa and Mastercard have both been the subject of significant swipe-fee-related legal action in recent years. But this is really a sideshow from an investing standpoint.

Visa's going to be raising swipe-fees in April 2022 after having put off doing so twice because of the pandemic. That would mean nearly another $1 billion in revenue under normal circumstances but now potentially $2-3 billion because of the reopening. Factor in the social engineering that will inevitably become part of the stimulus bill and you could be talking $3-4 billion.

The markets don't see the potential and, not surprisingly, this is not yet factored into Visa's price.

Further, Visa's stock has been under pressure lately because of Department of Justice concerns related to the company's aborted plans to acquire Plaid, a fintech startup which provides a convenient engine to connect bank accounts and conduct digital transfers. Which brings me to where we are today.

4 reasons Visa is a great choice

1) Visa's growth is directly tied to economic activity and with stimulus now on the way that's likely to accelerate dramatically. Very few investors have really thought through what that means to a company like Visa.

2) Visa is rapidly embracing new forms of payment including contactless payment technology, touch scanning and digital transactions that no longer require a card to leave the customer's personal possession. You are far less likely using these new methods, for example, to have your credit card skimmed by dubious restaurant staffers or harvested by a fake ATM terminal as a result.

I actually had the former happen to me in New York City a few years back and that same year unknowingly walked right by an ATM machine in Vienna's Stephansplatz that was later identified has having facilitated the theft of gobs of money from unsuspecting tourists via skimming!

2 Easy Ways to Invest in Infrastructure

3) Visa's partnered with Facebook in Brazil to provide payments through WhatsApp which potentially engages another 120 million users and serves as a business model that, I believe, will ultimately be deployed worldwide. More recently, Visa announced a partnership with TransferWise, a leading international wiring company to allow fintech companies access to VisaNet, Visa's global processing network. This comes at a time when B2B payments are in high demand, and it could expand its reach to 32 countries.

4) And, finally, Visa's partnered with 32 crypto companies at last count to provide digital debit cards including two of the biggies, Coinbase and crypto.com. This tells me Visa is already well-ahead of the blockchain-related financial world we will live in a few years from now.

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

The Universe

Visa is a little lower on the vertical axis than I'd like to see ordinarily but not out of line because the President's stimulus bill gives us a little extra space to the downside. I think that's more than offset by Visa's Z-Score which is near zero and suggests the stock is a sleeper in the making.

The company is flickering "blue" so I say we get ahead of that.

My research suggests that Visa will track sharply higher and to the right over time (which is exactly what we want to see) as the recovery boosts revenues and the stimulus increases monetary throughput. My price target is in the $260 range 24 months from now but, admittedly, that's a subjective calculation at the moment.

Fundamentals

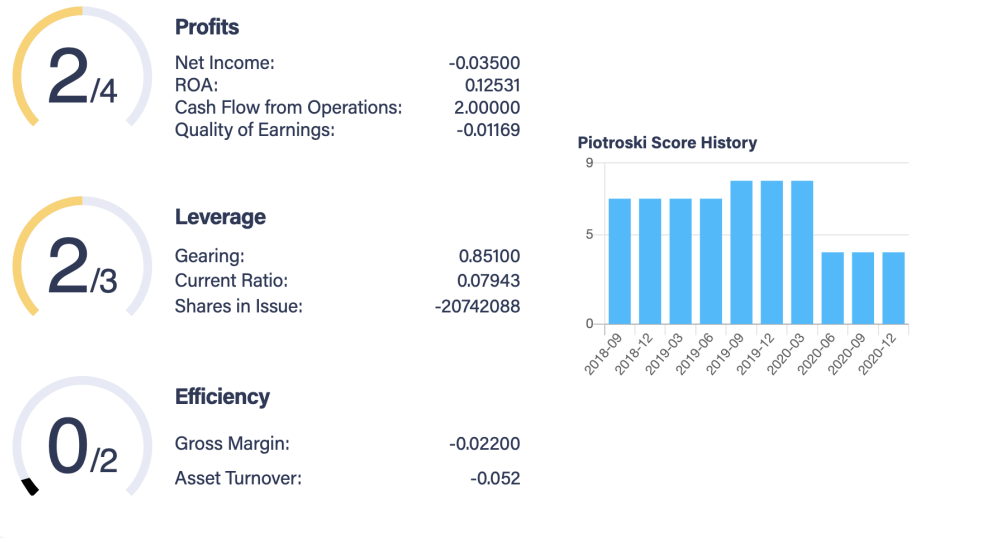
Visa sports a **Piotroski Score of 4 of 9** possible points which means the company is in good health; I expect that to reflect 5 by year end, possibly even a 6.

It's important to note that Visa's Piotroski was a solid 7-8 prior to the pandemic. Once that normalizes, the stock will become a solid "blue."

Given what we know about rising Piotroski Scores, stock prices and profits won't be far behind.

In fact, I'd even go so far as to say this will be a "recovery" signature when we look back a year from now and can quantitatively apply what Visa shows us today to other companies on the cusp of similar breakouts.

This is important information and a subject of intense research for my team and I at the moment because what we learn today will apply to the next pandemic when it happens!



2 Easy Ways to Invest in Infrastructure

The MMI

The MMI is reading -9 and has formed a near-textbook-perfect shape as it heads higher after having dipped below the white and yellow thresholds that signal buying conditions are optimal. Readings like this also suggest a bit of short-term volatility ahead as prices test the most recent peak of $230.

As usual, that's something we can make work in our favor with the right tactics.

I suggest that you nibble in below $228 if you can and load up if the markets give you the opportunity to do so at $208 per share or less. Some of my favorite **Power Trading Techniques** for doing that include **LowBall Order** or, as I have outlined with other stocks, **Selling Cash Secured Puts**. (See the February Issue for a quick review; it can be found in the One Bar Ahead™ archives.)

BUY BELOW $228 IF YOU CAN

LOAD UP UNDER $208 ...

A TEXTBOOK PERFECT READING

Action to take:

Buy Visa for **$228 or less** to get started. Plan on adding to shares or building your position if the markets give you the opportunity to do so **under $208**. I suggest reinvesting dividends and tucking shares away in the Growth and Income Segment of your portfolio.

Selling Cash Secured Puts may be a great alternative if you've got the chops and want to scoop up shares at a discount. Implement a trailing stop 25% below your purchase price immediately as a precaution in case the markets have other ideas. Feel free to set that trailing stop in the 8-10% range or even tighter if that fits with your personal risk tolerance and objectives.

Got a topic you want covered?

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

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

Chapter 2

POWER TRADING TECHNIQUES

Use Covered Calls to Improve and Lock in Profits

Covered calls done the right way

One of my favorites!

Many investors look down their noses dismissively when it comes to “covered calls.” One individual even went so far as to tell me bluntly years ago at a conference that, “covered calls are what grandma does when she discovers options.”

Talk about missing the boat! I’ve met plenty of “grandmas using covered calls” capable of giving professional traders a run for their money! In fact, covered calls are one of my favorite Power Trading Techniques.

Covered Calls are simple to use, can boost returns and help investors like us – meaning you and me - mitigate the risks associated with owning stocks we love. They can even help make up ground on trades where you’re losing money!

Covered calls are also a super way to ensure the discipline needed to capture profits consistently in a wide variety of market conditions. And, let’s face it, we could all use a little added discipline every now and then when it comes to making money.

What’s really cool is that savvy investors can also use covered calls to effectively create their own “dividend” which, just like dollar cost averaging or reinvesting, reduces your cost basis over time and increases your profit potential. Selling just another $0.30 worth of premium a week on Apple, for example, could generate $1,560 for every 100 shares you own a year. That’s roughly 12% annually versus just the official 0.66% yield on offer according to Yahoo! Finance as I type … and, I submit, worth thinking about.

Studies show that selling covered calls (also called a buy-write) can reduce your portfolio’s overall volatility even as using this technique can boost performance. Bluntly, this can smooth out bumps in market action that would otherwise cause lots of folks to lose sleep.

Most brokerage firms understand covered calls at this point whereas they didn’t when I first started back the day. Many, in fact, actually have standard, pre-staged order forms online or via your favorite app that you can use to set the trade up almost instantly. No sitting in front of your computer all day or hyperactively checking your smartphone required.

Before we go any further, though, let me make a point as bluntly as I can. There are risks, of course, and options are not for every investor.

I’ve seen a lot of advertising over the years about covered calls and using ‘em as an income strategy. There’s nothing wrong with that if you understand the risks involved but very few of the courses or free webinars I’m familiar with do an adequate job of explaining this. And, unfortunately, they can’t because the so-called experts teaching appear to have little or no actual experience with the strategy in real life.

The entire point of selling covered calls is to maximize profits on stocks that you already own or those quality stocks that you want to buy.

Generating income is a bonus, not an objective.

Like other strategies I advocate, I cannot say strongly enough that you want to use this one – selling covered calls – ONLY on quality stocks you own or want to own.

Please do not ever buy a “junk” stock thinking that you’ll sell covered calls against it because the premiums are “high” as is commonly taught in many covered-call seminars or is the case in several online covered call services. Crappy stocks have high premiums because they’re “crap” and the volatility needed to generate high premiums reflects that.

Covered calls done the right way

I am also going to assume that you've got at least some passing familiarity with options and that you have brokerage approval. If not, you need to do three things right away: 1) Buy or borrow a basic options textbook containing details about what options are, how options markets work and basic terminology. 2) Contact your brokerage for options approval. And 3) set up a paper trading account to PRACTICE placing these trades before committing real money.

Now, let's get to the good stuff!

What are covered calls?

Covered calls are an options strategy that involves buying shares of a company that interests you while simultaneously selling "call" options against shares you're buying or selling "call" options later against shares you already own.

Call options are a type of option contract that gives the buyer (somebody else) the right to purchase your shares at a specified price within a specified time frame. It's a bet that the underlying stock rises. You may also hear the term "buy/write" which is the same thing, just a different name for the strategy.

Options are traded in "lots", each one of which represents 100 shares of stock. One lot = 100 shares, 2 lots = 200 shares and so on. It's very important you keep this in mind because the last thing you want to do is trade more lots - options – than you can afford.

> *Keep size small while learning!*

Keep "size" small while you're learning to sell covered calls or any other investing or trading technique for that matter. You can always increase the size of your trades later … after you've learned how to profit consistently and control risk properly.

Do NOT worry about trying to understand everything at once. Selling covered calls the way I'm suggesting is a specialized, high probability technique that requires a bit of rethinking and, in some cases, unlearning what you think you already know. But, do make the effort.

Learning this strategy can dramatically boost your profits over time and reduce overall portfolio volatility, too.

BST and BSTZ, incidentally, both do this, which means you're already benefiting from covered calls if you own either or both. Well done!

Why you'll want to sell covered calls

Selling covered calls is a bullish strategy so it's important that you start with a stock you expect to trend higher and which you're willing to sell if it does.

Critics will tell you not to pick a stock that'll go up rapidly because you'll miss out on the potential for sharp gains, but I think that's an over-rated concern if you pick your exits carefully – and we'll get into that in a moment. Not for nothing, but I've never known anybody who's gone broke taking profits but I've heard from plenty of people who've blown up taking losses over the years.

Other folks will also tell you not to let high quality stocks "go" but my experience suggests that's not quite right either. Remember, the entire point of using this strategy is to buy/sell high quality stocks and make a profit that is otherwise greater than you could achieve if you didn't sell covered calls.

Covered calls done the right way

What's more, no exit is permanent. You can and arguably should "rinse and repeat" the covered call strategy as often as you can with every quality stock you own. Remember, you really DO want to sell at a profit!

Example time

In plain English ... *the goal with this strategy is to buy high quality stocks you want to own then sell call options against your shares to 1) create an exit at a predetermined price ahead of time, 2) generate additional cash flow that lowers the risk of ownership, and 3) dampens overall portfolio volatility.*

For example, I recommended Affirm Holdings, Inc. this past January and the stock has drifted lower after hitting a post-recommendation high of $146.90. There's no yield but I decided I'd like to step things up a notch as a way of creating a little income while I wait for the Affirm to gain its legs as a public company.

My cost is $104.03 per share but I'd be happy to sell my shares at $105 each by April then repeat the process as many times as I can as the company grows and shares (hopefully) appreciate. Ideally, I'd like to create an additional $1 per share for each option I sell.

Just like we did in the February issue with cash-secured puts, I encourage you to practice thinking out loud to organize your logic. I mean it ... say what you're thinking out loud because studies show doing so reinforces learning. Writing this down can also help, especially if you are someone who learns through writing things down like I do.

What you're trying to do here is build a "logic circuit" in your brain that will help you run the trade but, importantly, define your approach before you do so. And if you can't complete the sentence either verbally or in writing by the way, that's a big red flag.

So... let's practice!

I own ___ shares of Palantir (PLTR) and my cost is $____ per share. I'd be happy to sell my shares at $____ and want to collect income of at least $____ per share in the interim.

I own ____ shares of Tesla (TSLA) and my cost is $____ per share. I'd be happy to sell my shares at $____ and want to collect income of at least $____ per share in the interim.

Is there a stock you fancy or already own that I didn't mention? If so, try writing down the same sentence a few times. Insert the numbers where necessary.

Make those brain cells work together – talking to yourself is a bonus, especially when it could be very profitable to do so!

The "Formula"

Just like the cash secured puts we covered in February, covered calls are a "combo" strategy. You're not looking to buy just a hamburger, but "get fries with that" as part of a profitable meal-deal. Only in this case, with stocks and call options.

Let's return to Affirm (AFRM) and an example that can help put this in perspective.

(Editor's Note: I originally prepared this article for the March issue using prices in effect at the time.)

Affirm seems to be stuck in a rut at the moment so I'm thinking I'd like to step that up a notch or two by turning the shares I own into a covered call. Like a grocer with fresh fruit on the stand, I want to maximize my "inventory" which, in this case, is the shares that I own.

My basis – the cost at which I bought Affirm shares – is $104.03 and I'd be willing to sell 'em for $105 by March 19th for a gain of $0.97 per share or $97 for every 100 shares. That doesn't sound like much, admittedly but a) it would be at a profit and b) I can repeat the covered call process as many times as I want while I wait for Affirm to gain strength.

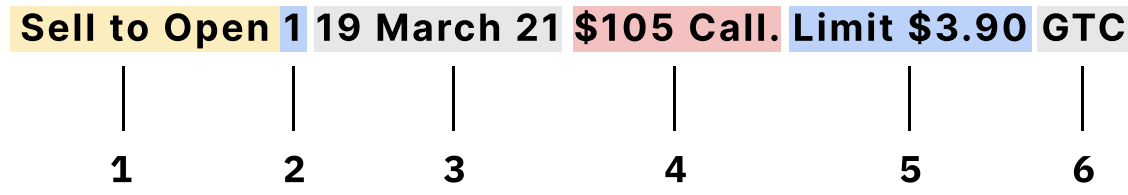
Covered calls done the right way

A quick look at the options chain revealed that the 19 March 21 $105 calls (meaning call options that expire on March 19, 2021 and which have a strike at $105) were on offer for $3.90 each! That's considerably above the normal $1 price tag I favor as a minimum threshold and only 21 days away.

The order to my broker in this example was "Sell to Open 1 19 Mar 21 $105 Call. Limit $3.90. GTC."

Here's how the order got broken down in broker-speak. →

THE ANATOMY OF A CASH-SECURED PUT



1. What you're doing (Open = new position, Close = exit)

2. How many lots (1 lot = 100 shares)

3. The option's expiration (day, month, year)

4. Strike price (price you're prepared to sell your shares for)

5. The lowest price you're willing to sell the option for

6. "Good till cancelled"

My broker actually filled the order at $3.90 and I was off to the races.

Remember, I already owned shares of Affirm at $104.03 a share which means I am losing money as I type. I am turning to the covered call because I want to 1) create a possible exit at a predetermined price that ensures a profit, 2) generate additional cash flow that lowers the risk of ownership, and 3) dampens overall portfolio volatility.

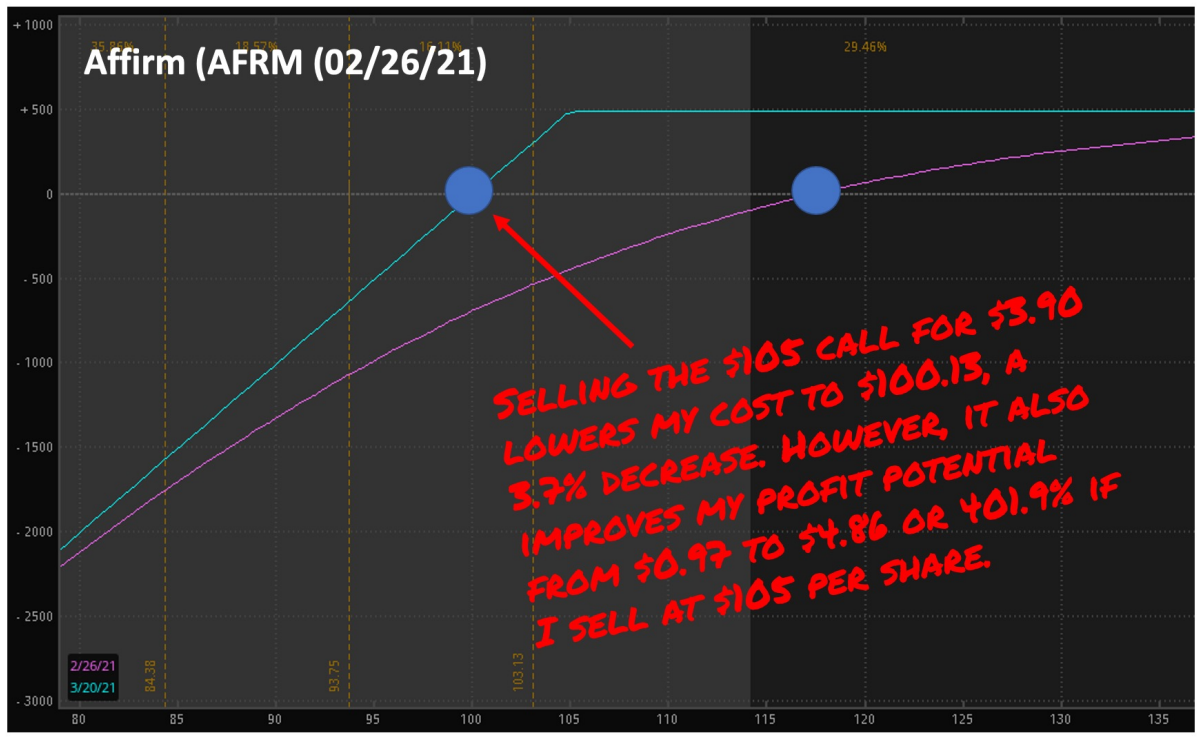
That's hard to imagine given all the numbers moving around so let me show you what's called a "risk profile" which is a fancy way of saying a chart of the position.

You can clearly see here that I'm losing money with the stock trading around $91. That's the lower left-most blue dot. My initial breakeven is the upper right dot. You can also see that I will continue to lose money if the stock drops further because the purple line slopes down and to the left.

Covered calls done the right way

But, watch what happens when I sell the covered call!

Selling the 19 Mar 21 $105 call options lowers my cost basis from $104.03 to $100.13, a 3.7% decrease. Importantly, it also builds in profit potential of $486.81 or $4.86 per share if Affirm closes at or over $105 per share 21 days from now on March 19th when the option expires.



There are a couple key takeaways:

1) I will still lose money if AFRM continues to drop. Covered call or not, that's just reality. You can see how much and how fast with the purple and blue lines. (which is what's happened since I originally penned this article).

2) However, I will now make more money with less of an upside move because I sold the covered call at $105 to create an exit and, hopefully, keep the premium I've received.

3) The tradeoff is that the gain of $486.81 is also capped so I will miss out on gains above $105 a share if the stock really takes off; that's why the blue line flattens out above $105.

When to sell covered calls

Technically, you can sell covered calls simultaneously when you buy a stock which is how many folks do it, but I think selling covered calls when a stock that I already own has stalled like Affirm has is a great alternative.

The key is to do the selling on days when there is a bit of an updraft so that premiums are skewed to the call side. This allows you to potentially get more money for each option you sell because everybody's attention is to the upside.

Some people like to sell covered calls ahead of earnings in an attempt to capture a bit of extra volatility but that game is well understood at this point. What's more, computerization has largely removed the edge historically associated with an earnings bounce. My research suggests the technique doesn't work nearly as well as it used to under the circumstances.

Again, and I cannot stress this enough ... sell covered calls only on quality stocks you already own. The last thing you want to do is get sucked into buying some stock you've never heard of because the "yield" associated with selling God-knows-what covered call is high.

The reason I'm bringing this up and making such a big stink about it is that many covered call newsletter services simply rank covered call opportunities using yield (from high to low) with no regard for the quality of the underlying stock. And, predictably, that's a problem because garbage stocks get carried out first when the selling starts or even when the markets get choppy. I don't want the risk and can't imagine you do either.

Covered calls done the right way

In this example, I can still lose money if the stock drops (which is what's happened). But, and this is very important, I know it's a stock I want to own because I expect Affirm to go higher and I also understand the business case associated with owning it.

What I don't know is the time frame within which this will happen. That's why chose the $105 call options expiring on March 19, 2021. That was only 21 days away (when I originally wrote the article) and gave me plenty of room to repeat the transaction as many times as I like through the balance of the year while I wait for Affirm to gain traction.

If the stock runs and I lose out, I'm okay with that, too. A profit is a profit is a profit to my way of thinking.

I get asked frequently about the margin requirements for covered calls and that's the cool part ... there aren't any. The stock that you're "covering" with the call is the collateral that would otherwise be required.

It's important to note that this – the zero-margin requirement – applies to stocks you own and which you evenly match against the calls you sell. In this example, I own just 100 shares of AFRM so I sold 1 call option. If you own 200 shares, then 2 call options ...and so on without any margin.

People get into trouble because they own 100 shares of something but sell 2 or more call options which creates a mismatch because they don't have the underlying shares to sell. In that case, they'll have theoretically unlimited risk and massive margin requirements.

This is, incidentally, why several big hedge funds got taken to the cleaners with GameStop recently because their margin requirements exploded and they were forced to exit at any price in an attempt to avoid having to put up more capital. Even so, Melvin capital, for example, needed a $2.75 billion infusion from Ken Griffin's Citadel and Steve Cohen's Point72 to survive!

Potential outcomes

1. Affirm drops further. The good news is that I'll keep the $3.90 I received when I sold the $105 call. However, the bad news is that I'll still be losing money on the stock itself.

That's not all bad, though because the $3.90 will soften to blow a bit. I'll be losing "less" if that makes sense and I'm good with that because I ultimately expect the stock to hit $140 a share.

Now, if the stock drops precipitously, I'm clearly not going to be happy but that's not the end of the world either.

Any stock you own could fall of a cliff at any time and there's just no getting around that. In this case, I'd buy the call option back for less money than I received when I sold it and, after that, unload my shares using a trailing stop or simply selling when I determine that's the best course of action.

2. Affirm rises from here but does not close above $105 at expiration. This is what I call the "goldilocks scenario." I make some money back from the losses I have now in the example, and I get to keep the $3.90 I collected when I sold the call option. Then, I'll repeat the process and collect still more money!

3. Affirm skyrockets and closes above $105 at expiration. This is great to my way of thinking. I wanted to sell my shares at $105 anyway and that's exactly what will happen if my shares are called away. I will have to sell 'em at $105 even if Affirm is trading far higher. Critics say that this is bad because I'll miss big gains but I don't buy that, pun intended. I win three times over ... I make up my losses, I get to sell at the price I picked in advance, and I have profits to show for having done so. Then, I will reload for the next move higher.

Covered calls done the right way

Keith's "Trade Secrets"

#1 My Rule of Thumb is a net credit of $0.50 to $1.00 ($50 - $100) per lot. Most of the time that represents an acceptable balance between risk and reward. It also tends to cover commissions and slippage which vary by broker. However, the prices can frequently be a lot higher than that if you are selling at strikes that are at or near your cost basis, particularly on up days.

I'm not greedy when it comes to using covered calls so I prefer to sell close to my cost basis as frequently as I can. I want to get "called" out and sell my shares at a profit even if it's a small win. Then, with money in my pocket, I can repeat the process with the same or even different stocks.

#2 Covered calls can create income that you use to produce a "dividend" when there isn't otherwise one at all or something so small that there might as well not be one. This also effectively reduces your cost basis over time.

#3 Covered calls work best on quality stocks you want to own or already own when prices are rising and there's an updraft. This is because the volatility skew that would otherwise be to the downside, shifts to the upside. The net impact is that you can sell the same call options for more money closer to the strikes you want.

#4 Many people try to make covered calls far more technical than is needed. Keep things simple by focusing the profits you want and the sales price you're okay with. Everything else will fall into place. There's no rush.

#5 At the risk of sounding like a broken record, sell covered calls only on quality stocks that you want to own or already own and are okay selling. Crappy stocks touted in many online covered call services have high yields because they are crappy stocks. Offering more money is the only way sellers can attract buyers, all things being equal if that's the case.

Besides, great stocks have high liquidity, narrow spreads and the best execution – all of which means that they're easier to trade, you'll get better pricing, and the spreads are narrower. Heck, it could even increase your profit potential, too!

Practice makes perfect

I cannot understate how important practice is when it comes to covered calls or any other strategy you want to learn to use effectively. The last thing you want to do is start placing real money on the line if you're not fully prepared. I've heard plenty of horror stories over the years and there's simply no need to join that "club!"

Remember:

- Options are not suitable for every investor.
- NEVER trade money you can't afford to lose.
- Do NOT scale up until you can be consistently profitable with small wins.

HAVE FUN!

Many people take investing and trading waaaaay too seriously. There will be wins and losses as you learn – that's just part of the process. The sooner you come to terms with that, the faster you can concentrate on success.

You got this – I promise!

Covered calls done the right way

Additional Resources

Note: I've obviously spent a lot of time on this strategy this month and that's very deliberate on my part. Learning how to sell covered calls can up your game immediately and give you ways to buy safely and with more confidence any time there's a pullback.

• The Options Industry Council - https://www.optionseducation.org/

• The Chicago Board Options Exchange - http://markets.cboe.com/resource/industry_education/

• Characteristics and Risks of Standardized Options and Supplements – Every investor and trader must read this booklet prior to buying or selling options contracts. You can get a copy here:

https://www.cboe.com/trading-resources/characteristics-and-risks-of-standardized-options -

Or, chances are, obtain a copy from your broker as part of the options trading approval process.

Speaking of not taking investing too seriously... here are some of the most recent social money memes that have given everybody in our office a great chuckle!

BUY ETHEREUM

The “other” bitcoin, but different

Buy Ethereum: The “Other” Bitcoin

Last month...

Last month we talked about why and how I finally bought Bitcoin, the world’s first and best-known cryptocurrency. It’s holding more or less steady in the $58,000 range as I type. That’s in line with my expectations but could obviously change at a moment’s notice. That’s also why I encourage you to think about getting on board the way I am, a little at a time.

This month we’re going to dip our toes into **Ether (ETH)**.

I didn’t think we’d be doing this so soon, frankly. In fact, I fully expected we’d wait for more institutional depth as originally planned before I recommended it. However, the markets, as can often be the case, have other ideas:

• South Korea recently announced the world’s first digital vaccine passport and it’s based on blockchain.

• Billionaire investor Mark Cuban recently told CNBC that he owns a “lot of Ethereum” because he believes it’s a “better alternative than gold.”

• Collectors have recently spent more than $200 million on blockchain based NFT artwork (non-fungible tokens) which tells me there’s momentum building.

Critics say these are all signs of a manic bubble but I don’t see things that way. The world is rapidly moving towards blockchain technology and there is no putting the genie back in the bottle.

Here’s a quick primer

Ether, also known as Ethereum, is the second largest cryptocurrency in terms of market capitalization and the single most widely used blockchain. Compared to bitcoin which came on the scene in January 2009, Ether is a comparatively recent development having debuted in July 2015 with 72 million pre-mined coins. Like Bitcoin, Ethereum is a blockchain.

Ethereum runs on a ginormous, globally distributed computer network rather than being concentrated in a single app or on a single machine. This makes it a digital “engine” capable of supporting all sorts of unique and potentially very valuable data whereas Bitcoin is simply a cash or value alternative thought about in much the same was as gold used to be.

Ethereum is organized around a group of volunteers who code up the blockchain, openly share rules, code and ideas needed for worldwide verification and validation. Bitcoin, in contrast, was created by a pseudonymous individual using code that has to be mined over time.

Anybody can be part of Ethereum which is unlimited but comparatively few will ever be part of Bitcoin which is limited.

Got all that?

I’m not sure I do either but am doing my best to accurately and simply explain everything I’ve learned during my research; it can be a head scratcher when you really start to dig in!

The “Ah-ha” Moment

I believe there’s a good case to be made that Ethereum will increasingly begin to reflect prices driven by its own fundamentals including capital-asset like characteristics, security and as a value-storage alternative. There’s an algorithmic scarcity that could significantly boost prices the way conventional scarcity does (if you recall your Econ 101).

Buy Ethereum: The “Other” Bitcoin

Ethereum is merit-based, arguably tamper-resistant, and open. This is an important distinction because Bitcoin is “just” a digital currency and, as such, remains subject to religious-like fervor associated with it as a proxy for traditional currencies, a hedge against inflation or as a gold alternative. Bitcoin is also uniquely at risk in a way that most people don’t see coming.

Bitcoin critics suggest that governments around the world will not allow cryptocurrencies to exist for much longer before clamping down via regulation, taxes and ownership disclosure forms. India, for example, recently ordered companies to disclosure crypto holdings. But I think the far more serious threat is behind the scenes.

I believe that central bankers and even several leading banks themselves are secretly hatching plans to launch their own digital currencies a few years from now. I alluded to this during my interview with Dr. Mark Mobius in last month’s issue when our discussion shifted to China where the CCP has already taken steps to partially digitalize the Yuan, China’s national currency.

The business case is the tipping point, not the value

Blockchain works via something called “smart contracts” which are really small computer programs that can verify, enforce or even facilitate specific “blocks” of transactions sequentially. Each block is appended to the one immediately prior in the sequence. Hence the term “blockchain.”

Every blockchain sequence contains special identifiers that ensure each succeeding transaction is the real deal or it stops. That makes it very different from fiat currency which can be easily manipulated, forged or even vaporized as many investors have figured out the hard way when their financial information is compromised.

Smart contracts are the backbone of blockchain - and therefore, Ethereum

Not to get too far off track, but the non-hierarchical network of computers passing all this information back and forth is comprised of nodes that maintain specific relationships with and between other nodes. Every time a transaction is received, it’s checked with and against other nodes using something called the “longest chain rule” to determine which chains have the most blocks and are therefore presumed valid.

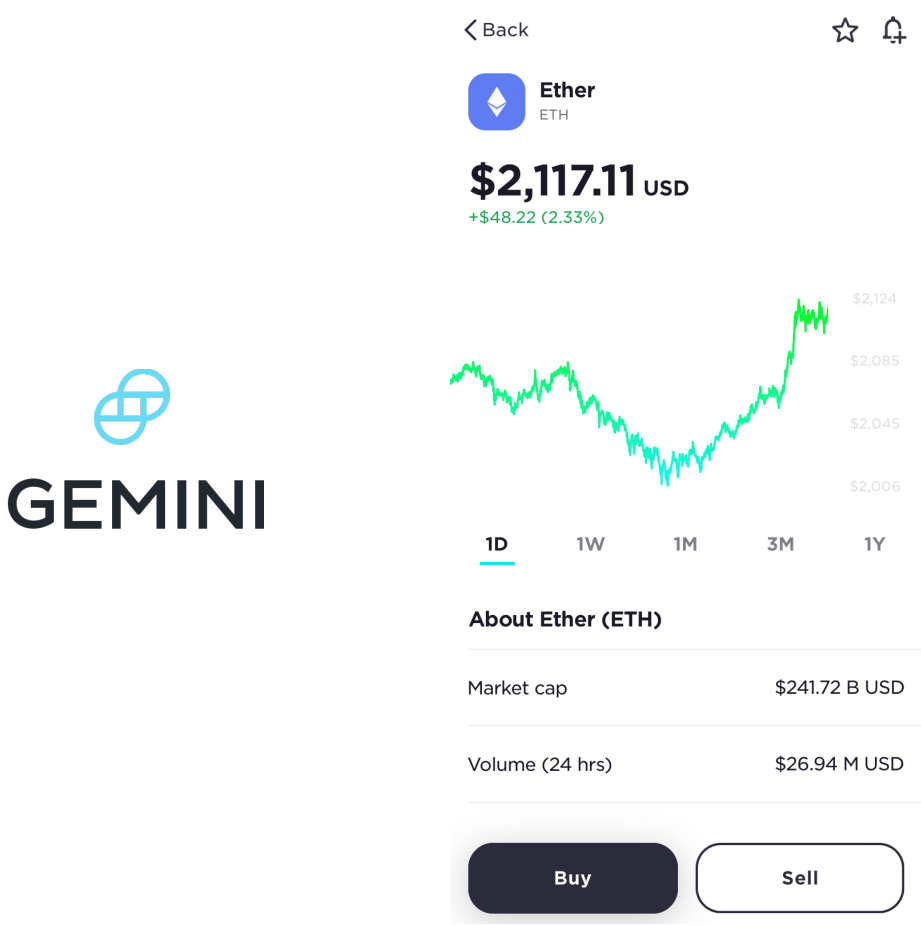
This suggests to me that the real push going forward will be privacy and security, not price.

Right now, a few major companies control access, information and flow. Examples include Facebook, Google and Twitter to put this in context. Users like you and I are the product.

Blockchain and Ethereum specifically, turn that model inside out. Ethereum is the engine that will finally allow the Internet to shift from the advertising-based business models we know today to the world envisioned by its founders decades ago .... one based on privacy and loyalty that protects users and their privacy instead of exploiting them in the name of monetization.

Ethereum, in that sense, may be the first integrated combined capital asset, security and valuation solution which is what attracts me to it. The fact that many investors simply haven’t put two and two together yet – but will – is our opening.

Buy Ethereum: The “Other” Bitcoin



Gemini is still my crypto wallet of choice

How to buy Ether

There are dozens of cryptocurrency platforms out there and you can buy Ethereum on just about any of ‘em. Some of the more prominent companies involved are ones that you’re probably familiar with including PayPal, Robinhood, Coinbase and Gemini.

I chose to open an account with Gemini and have been very happy so far, as you know from my write-up in the March issue. I am not compensated in any way shape or form for making that choice, just to be clear.

I suggest that you treat Ethereum as we’re already treating Bitcoin; a speculative cash value alternative. And, with that in mind, consider buying a bit every week or on a predetermined schedule so that you can dollar-cost-average your way in.

Last month I told you I was still researching the ideal allocation and that the jury was still out in my mind. JPMorgan, for example, suggests 1% as part of a multi-asset portfolio. Tim Enneking, managing director of Digital Capital Management suggests 1-2% for most investors while also suggesting that “enthusiasts can have up to 5-10%” as reported by Forbes in May 2019.

I’ve burned enough midnight oil and computing time at this point that I’m comfortable suggesting ½ of 1% may be right for most investors given the extraordinary volatility that’s very much a part of modern financial markets. I also suggest splitting that further 50/50 between Bitcoin (BTC) and Ethereum (ETH).

Action to take:

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 crypto currency allocation is between 0.5% -1% of total investable assets.

THE “FASCINATORS”

SPACs: Not what you think!

THE “FASCINATORS”

A quick take on SPACs

SPACs (**Special Purpose Acquisition Companies**) have caught the investing public’s fancy because they are being portrayed as a path to quick riches. That market is cooling off quickly.

UBS has actually **barred** financial advisors from making SPAC pitches to investment clients because of fears related the limited availability of pre-merger deal data and research. ***Reuters*

-34.9%

The average returns for SPACs 12 months after their mergers from January 2019 – June 2020

*** “A Sober Look at SPACs, Klausner, Ohlrogge, Ruan, 2020*

4X

The cost of a $10 million D&O indemnification policy has risen from $250,000 to $1,000,000 over the past 12 months.

***Yahoo!Finance / Bloomberg*

300%

Increase in short-interest over the past 12 months, a bet that prices go down

*** S3 Partners*

93%

...of SPACs that went public on the week of April 19th, 2020 were trading below their $10 offering price within 10 days

*** Dealogic/Reuters*

Chapter 5

PORTFOLIO REVIEW

Plus, this month's OBA 50

Portfolio Review (April 2021)

The S&P 500 crested 4,000 for the very first time to start this month with a bang. As I type, the DJIA is at 33,153.21 and the Nasdaq Composite sits at 13,480.11. Big tech, it would seem, has finally woken up.

The markets are ready for another meltup that will catch many by surprise!

The world is beginning to re-engage as the vaccine rollout continues, earnings are exploding and non-farm payrolls grew by 916,000 jobs in March. Adding further fuel to the fire, President Biden has announced a monster-sized $2.1 trillion stimulus bill that will pump even more money into the financial system at a time when central banks the world over remain accommodative.

It's hard not to be very excited about what's happening!

Foundation stones

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

Global growth and income

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

Zingers

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

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

Foundation stones (50%)

Apple Inc (AAPL) – Apple traded in a very tight range for most of March before catching a bid late last week. This is not unusual considering that Apple is one of the single most widely held and widely traded stocks in the world. The deleveraging that took place in the face of rising rates made it a logical target to sell first and ask questions later.

Apple recently announced that it will be using Tesla's "megapack" batteries at its solar farm in Monterey County. According to published reports, this will generate approximately 240 megawatt hours of energy and could power 7,000 average homes while also helping power HQ in Cupertino. I've long thought the two companies would tie up and this is great validation, especially with the President's Clean Energy objectives.

continued. →

Portfolio Review (April 2021)

UBS, incidentally, recently upgraded the stock based on iPhone strength, EV potential and higher than average selling prices. David Vogt, the analyst who made the upgrade, set a target of $145, up from $115. I think $200 is still in the cards.

JP Morgan (JPM) – JPM was also basically flat for the month but, like Apple, appears to be poised for a sharp move higher.

JPMorgan has acquired a minority stake in the wealth management subsidiary of China Merchants Bank, known as the nation's king of retail banking, for $410 million. This marks the first time a financial company in China allowed a foreign firm to make a strategic investment in its wealth management subsidiary. This gives JPM a huge leg up on the competition and provides exposure to one of the fastest growing middle classes in the world.

Interestingly, I've heard from some analysts that this isn't a big deal but I think those same folks don't have a grasp on the potential. China's financial markets are worth an estimated $53 trillion according Zacks.

JPMorgan also hatched the QuickAccept service, a Square competitor that allows businesses to collect funds through a mobile app or contactless reader. Unlike Square which has to fight tooth and nail for each new customer, JPM already has 3 million small businesses on its roster who could logically be migrated.

Both moves reinforce that JPM is best in class and, at this point, about as "must have" as it gets.

Microsoft Corp (MSFT) – Microsoft made headlines in March when the company won a contract from the US Army to supply 120,000 HoloLens-based augmented reality headsets. This could be worth approximately $21.88 billion over the next 10 years, according to CNBC. As is usually the case with these things, I think that figure is more likely nearly $30 billion when all is said and done.

There were also rumors flying recently that Microsoft was interested in buying Discord, but I think that's likely to be a non-starter. While the chat service could be a fantastic addition to the Microsoft product suite, I think Discord is going to try to stay private for longer and aim for a higher acquisition cost. Microsoft, consequently, will either buy for a much higher price, or attempt their own version of the app.

Global Growth and Income (40%)

BlackRock Science and Technology Trust (BST) and BlackRock Science and Technology Trust II (BSTZ) – After a relatively bloody month that saw both funds drop nearly 15%, they're back on track as tech stabilizes. In fact, BST and BSTZ both recently triggered MMI "buy" signals which suggests you've got an ideal opportunity to get in the game or accumulate shares.

BST also recently announced an increased distribution of $0.22/share, compared to the former $0.187/share, which brings up its yield to a whopping 4.89%. BSTZ followed suit and raised its distribution from $0.115 to $0.171, representing a new yield of 5.52% - which I think is fantastic. As of April 1st, the fund is also trading at a -4.64% discount which should raise any bargain-hunters' eyebrows like it does mine.

Gilead Sciences (GILD) – GILD made news when the company announced that the EMA (European Medicines Agency) has validated marketing for Trodelvy, a breast cancer drug that came as part of the Immunomedics deal in 2020. This drug is already approved in the United States for select patients, but European market approval increases profit potential and I think that hasn't been widely noticed yet.

Gilead and AbCellera also announced an expanded/renewed collaboration including a multi-year, multi-target antibody project using the Trianni Mouse® platform...

... which is capable of working with fully-humanized antibodies. What you need to know is that the move highlights everything I love about Gilead including several things the markets don't yet fully recognize: single cell analysis, machine learnings, computation, automation and even custom robotics.

Yield is now an appealing 4.27%, too. It's no wonder Gilead has rebounded nicely from March lows!

Pfizer Inc. (PFE) – Pfizer is "finally" starting to move and, to my way of thinking, that's fantastic. I've encouraged you to accumulate shares all the way down because what happens next could be a real kick in the profits. I worry that many investors will be caught flat-footed and that's a mistake I'd hate to see you make. Pfizer's enjoyed a nearly 8% move up since the beginning of the month.

PFE had two big pieces of news this month worthy of your time.

First, the company announced that they're starting trials of an oral covid vaccine. I have literally no idea how they're going to do this (considering that there aren't even oral flu vaccines), but it's an exciting development, nonetheless.

Second, they've announced that their young person trial for the existing COVID vaccine was found to be 100% safe and effective in kids aged 12-15. That's tremendous news and should accelerate the reopening.

Meanwhile, Pfizer's 4.3% dividend is hard to beat!

Palantir Technologies Inc. (PLTR) – Palantir has quickly become Wall Street's favorite stock to bag on, but CEO Alex Karp is on our side. In fact, Karp absolutely ripped into Wall Street early last month saying the street puts too much emphasis on near-term gains. And, what's more, that he applauds retail investors who – like us - see the big picture and longer-term value ahead.

Palantir will be hosting a virtual event called Double Click on April 14th and I cannot encourage you strongly enough to attend. The company is planning to share their life sciences capabilities en masse and it's rarer than hen's teeth to have this kind of accessibility.

NEW **- Waste Management Inc. (WM)** – Turn to Chapter 1 for more details, but here's the skinny.

Roughly 75% of the company's revenues are annuitized with substantial commercial and residential contracts. It's growing at 15% a year while also maintaining a net 15~16% operating margin. The stock has run up tremendously over the past few years but I think the infrastructure plan and reopening will help that continue, perhaps even accelerate!

The company's dividend is currently 1.78% but I see that expanding yet again which is saying something considering that WM has delivered 17 consecutive years of dividend growth.

NEW **– VISA Inc. (V)** – Another new addition to our portfolio, Visa is also an "under-the-radar" infrastructure play.

With a laughably simple business model, Visa processed $8.8 trillion in 2020 alone. That's $17.7 million every minute if my back of the envelope calculations are correct. Visa takes a small cut of a very large proverbial pie and stands to benefit from accelerated spending as a result of the new bill and economic re-opening.

Shares are discounted at the moment but, chances are, will not be for long.

Zingers (10%)

Affirm Holdings, Inc. (AFRM) – As I mentioned in April 2nd's AMA, Affirm is firmly in the "doghouse" category at the moment, but the long-term investment objectives remain.

continued. →

Portfolio Review (April 2021)

During the month of March, many other firms like Truist, RBC, Seaport Global Securities, and Goldman Sachs have initiated coverage on Affirm, and the price targets vary from $92 to $160, with an average of $118.75. My target is $140, which implies 96% upside.

This is going to be a “grit-your-teeth” stock for the time being, but I’m still very optimistic.

BridgeBio Pharma Inc (BBIO) – This company remains one of the coolest biopharma companies I’ve seen in a long time.

BBIO recently announced that, through affiliate QED Therapeutics, they would be partnering with Helsinn Group to co-develop and commercialize infigratinib, a treatment designed for specific cancers such as bile duct, urinary tract, and bladder cancer.

The partnership means BridgeBio will be eligible to receive more than $2 billion USD upfront in commercial and milestone payments. They will also be equally sharing any profits and will retain rights to the drug in question – all of which should interest savvy investors.

NEW **- Schrodinger (SDGR)** –I recommended Schrodinger on April 2nd in a special intra-month update as a compliment to BBIO. The company is a rare blend of software, bio-tech research and licensing. The Bill and Melinda Gates foundation owns large chunks of it, as does the Ark Genomics Revolution fund according to Yahoo!Finance.

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%.

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

ProShares Ultra VIX Short Term Futures ETF (UVXY) is a leveraged ETF intended to perform 1.5X the VIX, a key volatility measure. There is some degradation because of the leverage involved so I suggest you use the UVXY more opportunistically than as a semi-permanent or ongoing hedge like either the RYURX or SH.

Cash Alternatives

Buy BTC and ETH - NEW; 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 crypto currency allocation is between 0.5% -1% of total investable assets.

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

Portfolio Review (April 2021)

OBA Model Portfolio

	Stock	Recommended	Price at Entry	Current Price	Yield/Dist Rate	Profit/Loss	Stop Loss/TS	Last Instruction
Foundation Stones	AAPL	1/8/21	$ 132.05	$ 125.90	0.65%	-4.7%	25% TS	Add below $125
	JPM	1/14/21	$ 141.17	$ 153.71	2.35%	8.9%	$105	Hold/add below $130
	MSFT	3/5/21	$ 226.73	$ 249.07	0.90%	9.9%	25% TS	New/add below $225
Global Growth and Income	GILD	1/11/21	$ 62.51	$ 66.34	4.29%	6.1%	25% TS	Hold/add below $60
	PFE	2/5/21	$ 34.92	$ 36.29	4.31%	3.9%	25% TS	Hold/add below $35
	BST	2/5/21	$ 58.16	$ 55.95	4.86%	-3.8%	25% TS	Add below $50
	BSTZ	2/5/21	$ 39.31	$ 37.64	5.45%	-4.2%	25% TS	Add below $35
	V	4/7/21	NEW	$ 219.25	0.58%	N/A	25% TS	Buy/ add below $208
	WM	4/7/21	NEW	$ 130.90	1.76%	N/A	25% TS	Buy/ Add below $130
	PLTR	1/8/21	$ 25.20	$ 23.44	0%	-7.0%	None	Hold/add below $30
Zingers	AFRM	1/14/21	$ 114.85	$ 69.39	0%	-39.6%	None	HOLD
	SDGR	4/2/21	$ 78.53	$ 77.51	0%	-1.3%	None	New/add below $80
	BBIO	3/5/21	$ 62.52	$ 58.99	0%	-5.6%	None	New/add below $65
Hedges/Inverse	SH	2/1/21		$ 16.35	0.00%		None	Hold
	RYURX	2/1/21		$ 34.06	0.43%		None	Hold
	UVXY	2/1/21		$ 5.18	0%		None	Opportunistic
								TS = Trailing Stop

Cash Alternatives	
Bitcoin	0.5%
Ether	0.5%

Past performance does not equal future results. Individual investment results may vary. All investing involves the risk of loss.

All prices as of 4/5/2021

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	TGT	Target Corp
AMZN	Amazon Com Inc	MRNA	Moderna Inc	TMO	Thermo Fisher Scientific Inc
AVGO	Broadcom Inc	MSFT	Microsoft Corp	TMUS	T-Mobile US Inc
BBIO	BridgeBio Pharma Inc	MU	Micron Technology Inc	TSLA	Tesla Inc
CRWD	CrowdStrike Holdings Inc	NET	Cloudflare Inc	TTD	Trade Desk Inc
DHR	Danaher Corp	NFLX	Netflix Inc	TWLO	Twilio Inc
DIS	Walt Disney Co	NOW	ServiceNow Inc	V	Visa Inc
DOCU	Docusign Inc	NVDA	Nvidia Corp	W	Wayfair Inc
ETSY	Etsy Inc	PENN	Penn National Gaming Inc	WM	Waste Management Inc
FB	Facebook Inc	PFE	Pfizer Inc	WMT	Walmart Inc
FDX	Fedex Corp	PLTR	Palantir Technologies Inc	ZM	Zoom Video Comms Inc
FSLY	Fastly Inc	PYPL	PayPal Holdings Inc	ZS	Zscaler Inc
GILD	Gilead Sciences Inc	QCOM	Qualcomm Inc		

Chapter 6

THINKING
“ONE BAR AHEAD”

- Travel -

Thinking “One Bar Ahead”

Many people are clamoring for a return to “normal,” especially when it comes to getting back out and about. That’s simply not going to happen.

Here’s my take on travel.

Airlines miles won’t be relevant but booking points will be

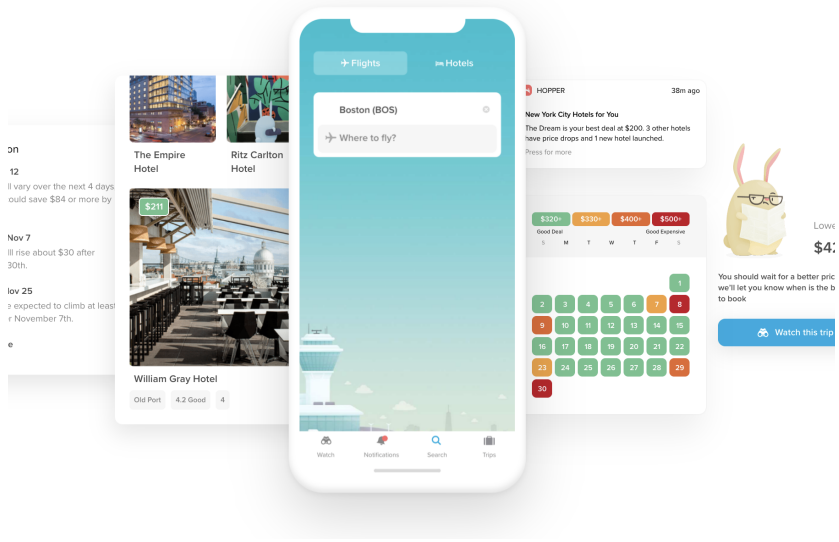
People are rightly concerned about when travel will resume to pre-covid levels but what they’re completely overlooking is how and why it will change when it does. Business travel, for example, will cease to be a “thing” because companies have largely figured out how to be more productive and profitable remotely. Whether that’s good or not is debatable.

Boondoggles, though, will take off – pun absolutely intended.

Airline miles, long a joke because of increasingly restrictive usage, blackout dates and limitations, will cease to exist or be diminished to the point where they are irrelevant even for high mileage travelers like myself. That will be replaced by points based on customer acquisition with services like Hopper and Dollar Flight Club coming into their own particularly amongst younger consumers who are likely to be the first to re-engage. The former, not coincidentally, recently raised $170 million in venture capital which tells me a) there is very clearly interest and b) we’re on the right track.

Potential investment implications: Multi-generational travel will expand radically as will medical-capable lodging. Travel insurance will spike, particularly for tickets with “cancel for any reason” clauses. Companies will charge for “space” even though, arguably, they shouldn’t. And you thought luggage fees were expensive already! !

Cruises will be increasingly shorter and correspondingly closer to home. RV travel will explode and it’s not hard to imagine new urban campgrounds that capitalize on newly abandoned city cores where people have exited en masse.



Booking software like Hopper will be the future of loyalty points

---

Going UP

“Stuff” will travel longer, farther and cheaper than people … into space.

Anybody that can solve weight, cost and usability will win not only on earth but, increasingly in outer space. California-based Rocket Labs is a great example. The company recently completed its 100th 3D-printed, electric pump-fed rocket engine. And, unfortunately, remains private.

Potential investment implications: Sub-orbital platforms, value added robotics, materials and energy storage – all for use in sub-orbital or near orbital capacity. Agriculture, enhanced Internet access, imaging, and global positioning.

Choices like L3Harris, Kratos, Raytheon – all of which I’ve recommended over the years - will undoubtedly find their way back into the portfolio as OBA finds optimal entry points.

Thinking “One Bar Ahead”

Hotels will “splinter”

...And staying somewhere will be “dream based” instead.

The pandemic has highlighted the desire for completely unique experiences, not a room with walls. It will, for lack of a better explanation, become increasingly “dream based.” Not for nothing, but when was the last time Marriott offered a one-night stay at a fire lookout near Mt. Rainier or a remote yurt in Norway from which you can take in the northern lights?

Potential investment implications: Cleaning services both on site and in site via robotics, aerosols or even remote application. I can also envision specific Covid-19 cleanliness standards developing much the same way as foods are designated gluten-free or kosher today. Public awareness has moved way beyond “let’s vacuum and change the towels.”

COVID passports are just the beginning

The debate over Covid-19 passports will rage for some time. Proponents will contend that having ‘em will help re-open the world faster and increase public safety at the same time. Critics will cite reduction in liberties, identification and privacy concerns. Either way, the move is digital.

Potential investment implications: Digital citizenship and alliances together with truly borderless fungibility. There are only a handful of companies capable of meeting this challenge at the moment and competitors that threaten this outcome will get gobbled up early on or nationalized. Good actors could include Apple, Microsoft and Visa. I see Facebook at the very opposite end of the spectrum, primarily because of CEO Mark Zuckerberg’s predatory business history.

Personally, I can’t wait to travel again, especially to conferences where I’ll get to see YOU (and other members of the One Bar Ahead Family). It’ll be great to rediscover places I love! At the same time, I look forward to renewing old friendships and to making new ones along the way.

Now, though, I will be travelling because it’s important to me, not corporate America.

Book a fire lookout near you!

Got a topic you want covered?

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

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

ASK KEITH

Get your questions answered!

Ask Keith

Q: No one seems to be questioning the accuracy of the data around Covid-19 infections, deaths, hospitalizations, etc. If there is an announcement that there has been an increase in the number of people testing positive, does that mean there is an increase in deaths. What's your take?

- Mark M.

A: That's a super important question, Mark. It's also one I've spent a considerable amount of time thinking about because the financial ramifications are jaw-dropping.

My take is that COVID-19 epidemiological data is orders of magnitude low. Positive tests will result in higher death counts assuming they are correctly identified from the very beginning. That's key for three reasons.

First, the National Vital Statistics Systems guidelines (NVSS) require coroners, doctors and medical examiners across the country to use a two-part system when it comes to people who've died. Part I is the disease or injury that results in death or, technically speaking, the lethal sequence of death. Part II is where any additional underlying conditions that may have made the lethal sequence more likely are noted. Comorbidities in medical language.

Not surprisingly because of the way NVSS data works, this means the primary cause of death would still be heart failure, pneumonia or some other cause like acute respiratory distress resulting from chronic pulmonary disease or even simple asthma. Not Covid-19.

Second, widespread testing and the data that comes from it varies considerably based on genetic data, public health response, testing methods and speed, population density and overall strain on the emergency medical system.

Many people in Italy, for example, died simply because they couldn't get to a hospital to begin with or the hospital was overwhelmed and couldn't treat them when they would have survived under normal circumstances pre-Covid.

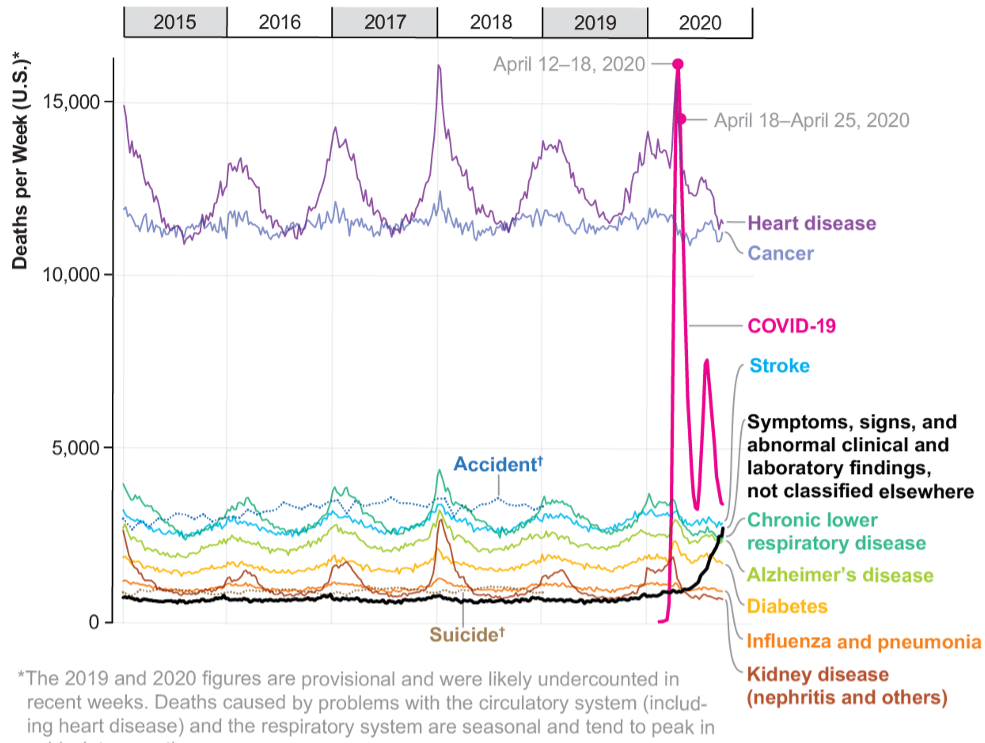
This is so-called surveillance data which is processed quickly and with glaringly less accuracy than previously assumed. Nobody has time to check the data nor the inventive to do so which means it is full of errors even as it's counted.

And, third, people are simply not understanding the concept of excess morbidity, meaning higher death rates than would otherwise be consistent with whatever region is being measured. People are fighting about whether or not John or Jane Doe died of Covid-19 when that point should be moot ... they still died.

You can see that very clearly in the CDC statistics which reflect a staggering jump in Covid (as expected) but a correspondently large jump in symptoms, signs and otherwise abnormal clinical and laboratory findings not classified elsewhere. The data points to a pattern that simply wasn't there before which, odds are, is Covid-19.

COVID Outpaced Seven Top Killers in 2020

This chart shows deaths per week for the top 10 causes of death—per 2017 annual rankings—plus COVID-19 and a provisional category for abnormal clinical and lab findings. (This category includes cases pending COVID-19 test confirmation and may be revised later by public health officials.) In the last two weeks of April, more Americans died from COVID-19 than from heart disease.



*The 2019 and 2020 figures are provisional and were likely undercounted in recent weeks. Deaths caused by problems with the circulatory system (including heart disease) and the respiratory system are seasonal and tend to peak in cold winter months.

†Deaths caused by accidents and suicide are rooted in monthly reports. Data are not available for 2019 and 2020.

Ask Keith

Here's where it gets really interesting and where my attention is focused.

Assuming I am correct, this means that Covid-19 remains largely in the shadows because we cannot account for it, not because it's not there. The numbers will grow as both testing and mortality data become clearer and the correlation between the two data sets – testing and mortality rates – rises.

This is the game changer from an investing standpoint.

Many folks are assuming that Covid-19 is a one-time event that will rapidly fade into the rear-view mirror, but I think that's a massive mistake. In fact, Covid-19 is likely to start mutating faster, to develop into what I call perma-blooms particularly in densely populated urban areas and to become to drug resistant if vaccines cannot be rolled out quickly enough.

This creates a situation where Covid-19 drugs become an on-going treatment protocol like flu vaccines and, at the same time, a multi-billion-dollar opportunity for any company that gets ahead of it.

My favorite is one we've already got in the portfolio, Pfizer (PFE). That's "paired" with Gilead (GILD) which makes Veklury, a.k.a. Remdesivir, a Covid-19 treatment used in 1 of every 2 Covid-19 related hospitalizations. I expect both companies to take what they're learning and apply that knowledge to other medical treatments which potentially boosts revenues, earnings and, ultimately, stock prices over time.

Combine that with digitalization, the largest "5D" and I think there's a very real possibility we actually solve cancer and many other genetic diseases within the next ten years!

Q: The portfolio is very tech-oriented right now, and that seems to work against us on otherwise great days for the rest of the markets. Will you be recommending investments in other sectors?

- Daniela and Pete E.

A: Absolutely, and that's very deliberate on my part. This month's recommendations are a great example.

Digitalization is the largest single "5D" trend we're following which is why it's so important that we get our "hook in the water" early before everybody else who's presently focused on the recovery realizes their mistake.

My research shows very clearly that missing opportunity is far more expensive than trying to avoid risk which is why I've spent so much time early on establishing recommendations like Apple (AAPL), Microsoft (MSFT) and Palantir (PLTR) while the mainstream press is enamored with the likes of cruise stocks.

To put this in perspective, the entire global cruise line market is worth roughly $23.8 billion a year and may grow at 3% a year if it's lucky. Apple, on the other hand, makes $1 billion a day.

Q: At one point you considered Alibaba (BABA) a must-have stock worthy of owning for the rest of your investing life. Has the U.S./China riff changed your outlook?

- James L.

continued. →

Ask Keith

A: You've got a great memory, James. Thanks for paying attention and for asking. I originally made that observation in Q3 2015 when BABA was trading in the mid-$60 range. Anybody who followed along had the opportunity to bank a few bucks and, still does with shares trading at $231.30 as I type.

The U.S./China riff itself doesn't faze me one way or the other but China's clamp down on Jack Ma does. The CCP is effectively stripping BABA of everything that made it such a compelling investment in years past.

Alibaba, together with Tencent – its arch-rival - control more personal data, financial linkage and communication than Facebook, Amazon, Google and Apple combined. Beijing will cannibalize profits in the name of control every time and that's going to dampen earnings because they're squashing innovation.

Many of the mainstream analysts who are telling investors to buy Alibaba on dips have not spent the kind of time I have in mainland China over the years and, as a result, I believe do not understand the risks involved.

China still represents an unbelievable growth opportunity but investing "because" of China may be the far safer bet than investing "in" China for the immediate future.

Q: At what point should we liquidate hedges if the market is advancing?

- Dan L.

A: Terrific question, Dan. That depends on how you're thinking about hedging as a constant or something that's adjusted periodically. There is no one-size fits all answer because every member of the OBA Family has different risk limitations.

Conventional asset allocation studies suggest that investors would be wise to keep a small hedge equal to 1-3% of total investable assets in non-correlated assets as a way to decrease what's called portfolio "beta" or overall volatility. My research shows adding a timing component can significantly increase performance even as it provides the same safety-first benefits.

Watch the MMI carefully in the weekly alerts and use it as a guide. Add to hedges when the MMI is approaching or has breached the upper boundary and lighten up when it's below the lower yellow and white lines when prices are likely to increase.

One word of caution though, hedging intended to protect against risk. Anybody who views it as a source of profits is missing the concept.

Send your questions in!

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

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

Chapter 8

OBA FAMILY HIGHLIGHTS

The surprising reason we’re not ready to embrace EVs

The surprising reason we're NOT ready to embrace EVs

To hear the Electric Vehicle crowd talk, "EVs" are cleaner, more economical, more reliable, more comfortable and safer than the stuff we drive today. So why is it so many of us can't let go of the piston-clanking monsters we have in our garage?

We LIKE 'em!

I tickled a few nerves recently when I said that I simply wasn't ready to drive an EV in one of my Morning! 5 with Fitz notes. Then, my email exploded.

Clearly "inferior" cars and motorcycles rule!

My team and I were amazed by the fabulous pictures you sent in and, of course, the stories that went with 'em. James told us about the 911T he purchased after returning from Vietnam and which he still owns. Carroll spoke fondly about the Mustang she drove in high school. Mike shared his gorgeous early body Miata while Sergio couldn't hide the grin on his face with a brilliant purple Lamborghini behind him. Gary, meanwhile, is ripping around the racecourse on his stunning Yamaha R1!

Anthropologists and social scientists put this down to a yearning for the past where designers created vehicles that mirrored the passions of the times. Think about, for example, the hand-built Duesenbergs that embodied the grace, style and sophistication that was Art Deco in the 1930's. Or the humble Citroen 2CV which debuted in post-war Europe as a model of austerity.

The "new" stuff simply cannot compete. It's sterile, or at least sure seems that way to me.

We love our dinosaur-juice-powered cars and our motorcycles because they have character, regardless of when or how they're made. Everything from a modern Miata to the vintage Fiat 124 I drove 40 years ago qualifies because there's a story associated with it.

John's Porsche 993 (and a great smile)

Mike's beautiful classic Miata

Sergio living the dream

The surprising reason we're NOT ready to embrace EVs

For example, I found the 1977 BMW R100RS I own in a crate in Seaside, Oregon and have rebuilt it bolt by bolt. Nine times out of ten, it's the bike I'll take first when the garage door comes up. I've got 83,000+ miles on the clock and it goes like Schnell.

Many of us don't want to drive EVs not because they're EVs or because we want to hang on to piston power but, rather because going old school puts a smile on our face.

I just can't get excited about a car that was designed by computer, birthed in a wind tunnel and which is a sealed unit completely devoid of driver input. And, judging from your email, neither can many of you!

Don't get me wrong, I like plenty of new cars just fine; I simply want everything I own, drive or ride to be an experience.

I enjoy having to get the choke just right and the timing just so before hitting the ignition. I want to hear the roar of a V12 and smell the oil dripping onto a hot aluminum block as the engine ticks cool. Admittedly, this can be a love-hate relationship when the carbs leak or I spring a gasket 1,000 miles from home but that's a different story.

Driving or riding "vintage" isn't something you "do" but rather a journey in and of itself.

We're not just into our rides any more than we're into "hot stocks" because the fast money crowd says we should be or politicians tell us we have to be.

Classic vehicles, like great stocks, are timeless. And, as it turns out, many of us are actually very happy with that.

KF

William's awesome '69 Mustang

Gary absolutely SENDING it on two wheels

Yours truly on a beautiful fall afternoon

Chapter 9

HIGH PERFORMANCE OVER 50™

Feel Better, Think More Clearly, Reverse Aging

High Performance Over 50™

Covid-19 has forced us to reconsider many things we once took for granted but one item stands out in my mind above all others.

Oxygenation.

One of the virus' most insidious effects appears to be a reduction of lung capacity and a diminution of oxygen saturation that lingers in recovering patients for weeks, months or perhaps even permanently.

Medically speaking, oxygenation is defined as the addition of oxygen to a chemical or physical system but practically speaking it's any intervention that can provide greater oxygen to the lungs and our circulatory systems.

Studies suggest that our active and resting oxygen saturation levels fall over time as we age. Healthy adults typically have oxygen saturation levels of 97-100% while somebody in their 70s may have an oxygen saturation level of 95%.

I assumed my oxygenation levels would be at the extreme upward end of the range because I've been a competitive athlete nearly all my life. Full-contact martial arts, triathlons, training with USN SEALs ... all for fun and all at Mach 5 with my hair on fire.

Imagine my surprise when my handy-dandy new Apple Watch showed that my average daily oxygen saturation level is only 95.9%!

Noriko looked at me in disbelief from across the breakfast table when I showed her the reading then said simply, that "explains a lot."

She and I had a few weeks when we felt like we had the flu after returning from Japan in late 2019. Our symptoms back then match up to what the medical community knows about Covid-19 now. I think it's entirely possible we had the virus but didn't know it.

I've been short of breath since.

Being in my fifties doesn't bother me but not being able to get a proper amount of oxygen scares me. Low oxygen levels have a clear association with Alzheimer's, vascular dementia, neural damage, memory loss, low testosterone and more.

It stands to reason that increasing oxygenation levels can increase performance, mental clarity and vitality. Particularly among elite athletes, savvy investors or people like me who simply aren't ready to age gracefully but who want to think clearly.

Here's how I'm attacking this problem and what I've learned so far.

Breathe using the 4-2-4-2 cycle

According to Harvard Health, shallow breathing (like we normally do) "hobbles the diaphragm's range of motion", and causes shortness of breath, and in turn, causes us to feel anxious. When we breathe like this, air doesn't actually reach the lowest portion of our lungs where many small oxygen-carrying blood vessels reside, and our lungs never get a full share of oxygenated air as a result. Sitting slouched over while working at home only makes things worse.

Diaphragmatic breathing can help and here's how you do it.

First, stand up. This opens up your abdomen and relaxes your body. Slowly inhale through your nose over 4 seconds, and feel the air move downward towards your belly. You should be letting your abdomen expand completely. Then hold the air in for 2 seconds. Exhale slowly through your mouth over the course of 4 seconds and wait 2 more seconds before starting again.

My new Apple Watch actually has a "breathe mindfully" app that helps a lot. In fact, I've got mine set to do this a few times a day and my numbers are already on the uptick!

High Performance Over 50™

Exercise consistently, rather than hard

The American Heart Association has said that 30 minutes a day of regular walking can have a greater effect on the circulatory system than spending an hour or more in the gym exercising “hard” a few times during the week.

Noriko and I make it a point to walk the dogs together every afternoon rain or shine, even in the snow. Not only have we enjoyed some terrific conversations and rediscovered many of the reasons we got married 25 years ago, but we really love the uninterrupted time together, too.

I’m not ready to give up my morning fitness routines any time soon but I’ve already noticed a change in the way my circulatory system appears to be responding. And, that’s a good thing!

Eat your way to better oxygen saturation

Including iron-rich foods can help ensure that your body is producing enough hemoglobin, a vital substance in red blood cells that helps carry oxygen throughout your body. Examples of great foods to eat include beef, liver, spinach, kale, and beans. Unleash your inner Popeye!

If you’re an athlete, consider a beet supplement pre-workout. A 2018 study by the NCBI – NIH found that beet supplementation doubled plasma nitrite levels, reduced systolic blood pressure, improved muscle oxygenation and resulted in a 20% reduction in the oxygen cost in cycling exercise.

Interestingly, I may have been years ahead on this one. I took beet supplements for nearly a decade when I competed in triathlons and noticed a dramatic difference in how hard and long I could maintain race-level pace. Time to order some more from Uncle Amazon!

Go hyperbaric

A recent study from Tel Aviv University and the Shamir Medical Center in Israel found that hyperbaric oxygen treatments (HBOT) can stop the aging of blood cells and reverse the aging process with as little as three months of treatment.0

Interestingly, the study noted that hyperbaric oxygen treatment significantly elongated telomeres (which are considered by many anti-aging researchers to be the Holy Grail) at rates far beyond any currently available lifestyle modifications.

There appear to be several trials related to hyperbaric treatment for post Covid-19 syndrome (defined as fatigue, cognitive impairment and other neurologic symptoms) underway, but the results will not be known for some time. I’m not particularly keen to wait so I’m on the hunt for a nearby HBOT treatment facility.

I happened to mention HBOT to our oldest son Kuni who is a retired World Cup Fencer and member of the Japanese National Fencing team. He’s used HBOT several times in the Japanese Olympic Training Center and told me that he noticed an immediate and sustainable uptake in oxygen levels, along with shortened training recovery times.

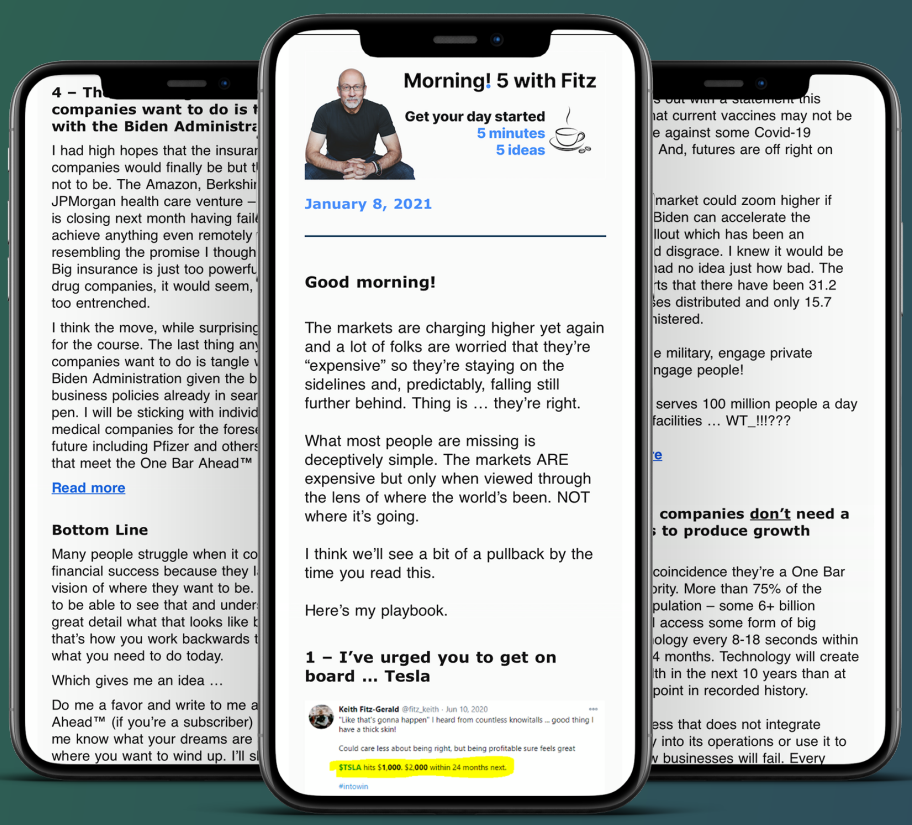
Which could, in my case, be just the ticket.

I’ll let you know how I get on.

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 to get his daily trading notes for FREE!

Often the next best thing to actually sitting next to him every day, some subscribers even go as far as saying it's the best part of their morning!

SIGN UP NOW

↓

www.OneBarAhead.com

Please note that One Bar Ahead™ is a monthly digital magazine intended for paid subscribers only. If you are reading this and do not have a paid subscription, that's great because it means you're interested in Keith's research. However, it's also intellectual property theft. Please visit www.onebarahead.com to obtain your own subscription.

Keith Fitz-Gerald's ONE BAR AHEAD™

@fitz_keith

www.onebarahead.com | www.fitz-geraldgroup.com