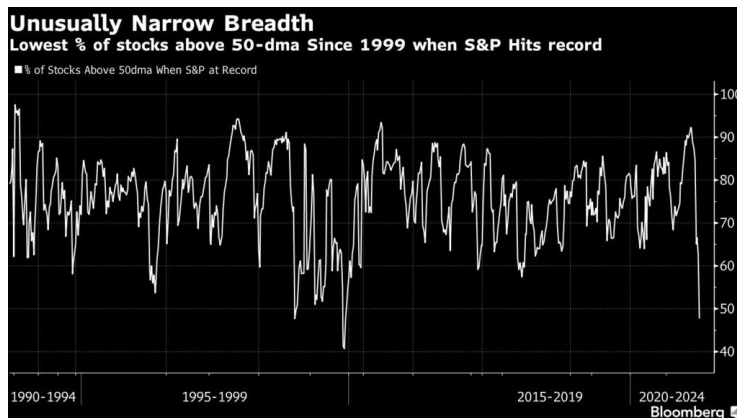


## Under the Covers

The meaning of this phrase varies depending on the situation and the individuals involved. This is the terminology the tech people use with us when they don't want to get into the weeds of how technology works. To young men, this is intimacy with a woman. To the innkeepers at a hotel or bed and breakfast, it's the conversation about what went on last night in the room. To us in the financial world, it is how the stock markets are behaving deep inside; not just looking at the market indexes, but by taking an X-Ray of sorts of the market. This is much easier to understand with pictures so we'll use some charts to illustrate.

Clearly markets are on fire post-COVID, but how healthy is this fire? First, we look at what % of stocks are above their 50 day moving average as the stock market soars ahead. The data is surprising, very few are and we've only seen this once before: in 1999. Of course it leads us to believe we'll have another 1999 or 1929 type outcome, but only time will tell.



The value of a publicly traded company is all about its earnings and a multiple of annual earnings to justify a stock price. In the world we're in today, companies with no earnings outperform by a country mile those with earnings. The euphoria out there with asset prices is unprecedented. Buddies of mine who have been in this game for 50 years tell me this is crazier than the commodities markets of the 70's. I often compare the

Continued on page 2, Under the Covers!

### INSIDE THIS ISSUE

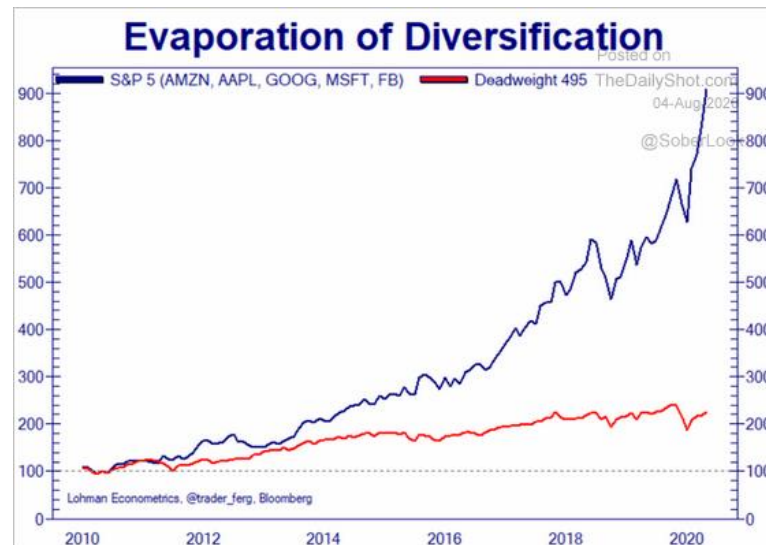
2. Amazing Stats; Breaking Point
3. Noteworthy News; Fuel Cells
4. \$ Quiz; 3 Types of Markets; Sparky
5. Inspirational Quotes; Kids Corner

## The Breaking Point

Are we close to the breaking point for markets? Nobody knows with absolute certainty, but you can rest assured we're much closer to a breaking point in markets where we get a bear market than a new beginning of a healthy bull market run. This era is what we call a blowoff top, where nothing matters in the economy, the world, or in politics. Markets just go up, period.



The exuberance around stocks today is like we've never seen before. Ever. The concentration in just a few stocks to push markets higher is very unhealthy. In the 60's, we had the nifty fifty, where fifty top stocks powered the markets higher for a long time until we had a flat market from 1966-1982. Now, we have the fab five, where only five stocks are responsible for a majority of gains in the markets. We don't see this very often, if ever.



Today's markets are more like a casino than ever before; things moving up hundreds of percent in months then subsequently collapsing. Crypto currencies have gone through this, lumber has gone through this, countless stocks have gone through this and we see stocks which are normally stable very unstable today. 20 year treasury bonds are moving around 20 – 25% annually; not much of what is going on today is normal or healthy.

Continued on page 3, Breaking Point

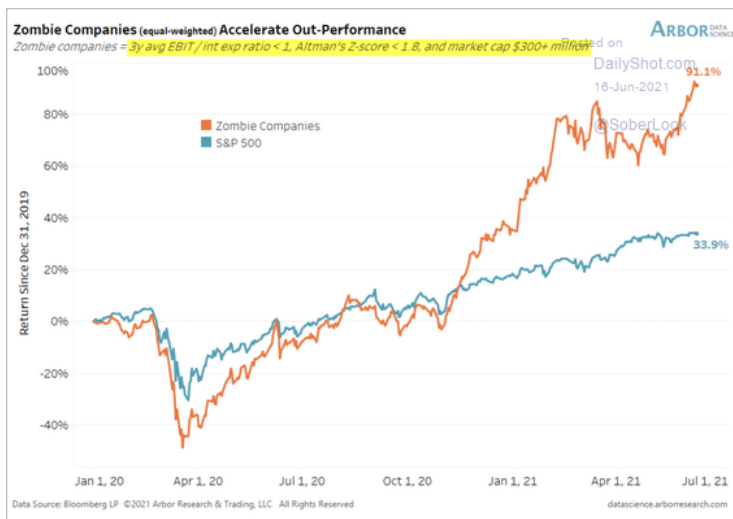
## Under the Covers (cont'd from page 1)

markets today to a game of roulette. My favorite saying when someone wants to gamble is to put all your bet on 38 red. Reference the roulette wheel below:



What is the largest number on the wheel? That's the point! As a side note, the sum of the numbers on a roulette wheel add up to 666, the origin of the nickname "The Devils Game".

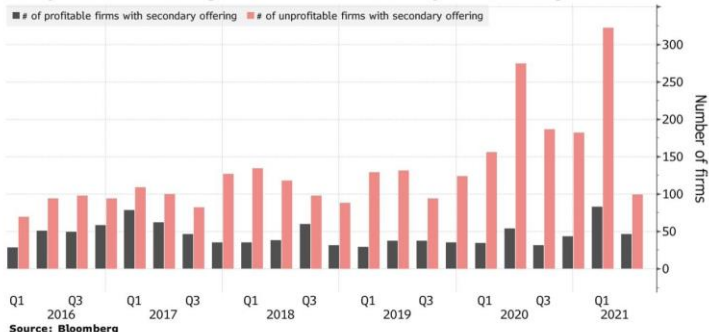
Earnings don't matter today; companies with no earnings are the best performing businesses on the stock exchanges. This is the casino-like action we find today.



Market operators are not dummies either; they're pumping out IPO's and secondary offerings like no tomorrow. Easy money leads to nasty lessons so be cautious as to what you're buying today. One could argue they're selling shares to suckers, all the while corporate insiders are big time net sellers.

### Supply Glut

Money losers are flooding the market with secondary share offerings



## Amazing Stats

We are definitely statistical-, sequential-minded people and we've found some cool stats we want to share with you.

- Less than 1% of all high school athletes will go on to play college sports at the Division 1 level.
- Less than 2% of all NCAA student athletes will go on to play their sport professionally.
- 2% of the shoes sold in America are made in America.
- 20% of our high school youth are smoking e-cigarettes. How is this possible? Let's work on this folks!
- 10% of American jobs are supported by the travel industry.
- The average American drinks 26.5 gallons of beer and cider annually. That's almost a 55 gallon drum every 2 years.
- A high school graduate will have taken about 100 standardized tests from Kindergarten through graduation.
- Americans consume 4.2 billion avocados annually. How many of them spoil prior to consumption?
- 40% of Americans cannot name a single freedom protected by the 1st amendment from the US constitution. (Pathetic! Here they are for any of you who are struggling with the same – freedom of speech, freedom of the press, freedom of assembly, right to petition the government)
- 95% of millennials are not saving adequately for retirement.
- American's drive 2.6 trillion miles annually. The American love affair with the automobile.
- The US has won a cumulative 1131 gold medals in the Olympic Games thus far.
- The average person produces enough saliva to fill 23 2-liter bottles in a month. The say dogs drool, what about people?
- We receive 2.4 billion robocalls every month. Congress, wake up; this is painful!
- The average American eats 13 pounds of ice cream annually.
- Iceland does not have a railway system.
- At birth, a baby panda is smaller than a mouse.
- German chocolate cake is named after an American baker named Samuel German.
- Lettuce is a member of the sunflower family.
- Saint Lucia is the only country in the world named after a woman. We need more of these folks! 😊
- A single cloud can weigh more than a million pounds.
- A human will eat, on average, 70 assorted insects and 10 spiders while sleeping.
- There are more possible iterations of a game of chess than atoms in the known universe.
- Men are six times more likely to be struck from lightning than women are. (translation – men are much dumber than women!)
- Coca Cola would be green if coloring wasn't added to it.
- You cannot snore and dream at the same time.

# Noteworthy News!!!

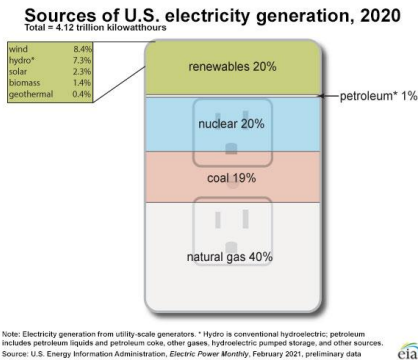
- Congratulations to Morgan Graham on her new job with Allegis!
- Congratulations to Shamon Antrum on his new job with Christ the Kings Academy!
- Congratulations to the Paull family on the birth of baby Remi!
- Our condolences to the Michaels family on the passing of Walter, a wonderful man, husband, father, grandfather, great grandfather, uncle, brother, and friend. Our Superman!
- Our condolences to the Taylor family on the passing of Tom, a wonderful man, husband, father, brother, uncle, and friend.
- Our condolences to the Hershey family on the passing of MaryLee, a wonderful woman, wife, mother, grandmother, sister, person, and friend.

## Question & Answer

Ask any financial question you have, and we'll address it here.

*Q: Are electric cars the perfect answer to transportation?*

No, not at all. Not even close. The talk is that they're great and green and have no emissions. While that may seem true on the surface level and while driving one, it's not a complete story. The reality is, electric cars move the emissions problem from the gas station to the electric company's power plant, which is mostly powered by fossil fuels. Here is how the current grid from which America is powered:

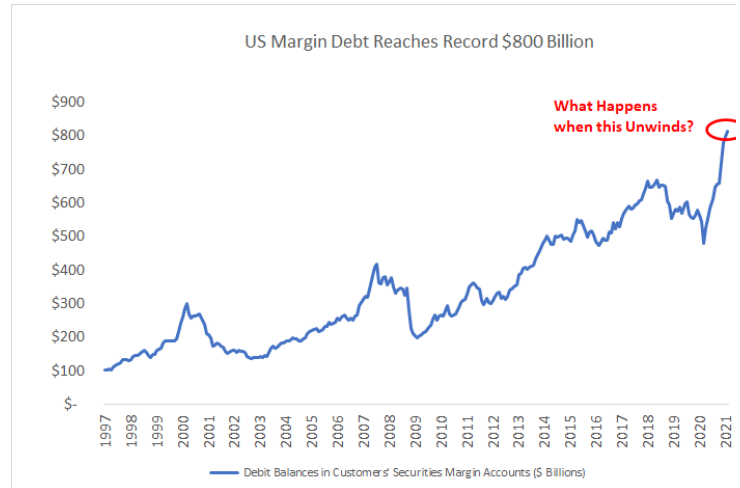


A recent study found that 33% of electric car owners would not buy another electric car. They've found that the electric car experience lacks the sound of a traditional internal combustion engine and the recharging/distance limitations cause people to look elsewhere. In this comparison of fuel sources between the grid and the fuel pump that drives electric cars, something noteworthy that few think about or discuss is the production of the necessary equipment to power electric cars. They mostly run on lithium for the batteries. Mining for lithium, separating it, transporting it and then finally producing the battery for a Tesla, generates more CO<sub>2</sub> emissions than driving a Ford F350 for a decade. We then have to think about how to dispose of all of the dead battery waste, the eventual byproduct of batteries.

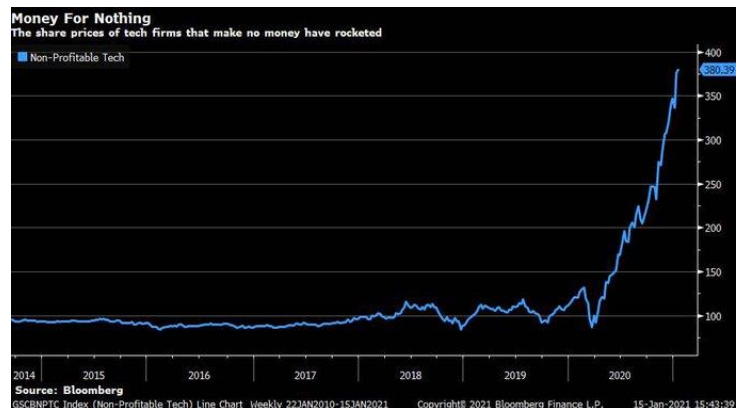
The real solution to the vehicle emissions problem is fuel cells. We have a local CT company who has been in the business for a very long time and is slowly, very slowly, gaining traction. Toyota now has a fuel cell system on the Autobahn as well as in California. The amazing thing about fuel cells is that they burn pure hydrogen and only produce water as a byproduct.

# Breaking Point (cont'd from page 1)

Not only are stock prices sky high, but consumers are borrowing like never before to buy shares of stock at these record prices. We measure borrowing through Margin Debt. We thought 1999 and 2007 were bad with margin loans; today makes those two snippets in time look like investors were cheap spenders, and they were not at all. Now, this is like a rubber band stretched two to three times beyond where it normally rests.



The best-performing shares on public markets are the ones with no earnings whatsoever.



When we hit the breaking point, none of us know for sure, but we do know that valuations are at insane levels and that the music will stop sometime. We're ultra-cautious in this environment and we've got time on our side. We know what happens, we just don't know when.

Now isn't the time to be a heavy speculator in stocks, bonds, or real estate without a predefined exit strategy. Many entities will never come back to these levels. Lots of the very popular investments today will not exist in years to come, so be thoughtful and research-oriented in your ventures.

# Money Quiz



This month's challenge is appropriately again on lumber. A new age version of the tulip bubble, we have the 2021 lumber bubble. Lumber went from \$436.00 per board foot just before the pandemic hit to \$1711.00. It is now almost where it started on 08/31/2021. What percentage run did lumber go on during the COVID spike? Winner gets lunch on us at Ruby Tuesdays! 😊 08:31:21:1

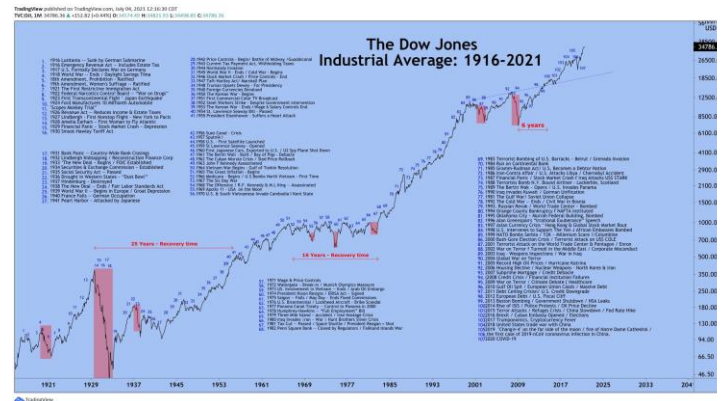
## Sparky!

Funny how society labels things good or bad. The concept of a stereotype exists and sometimes that is very sad. It is especially fun when the underdog comes out on top, we LOVE the underdog stories.

When he was a little boy, his uncle called him "Sparky," after a comic-strip horse named Spark Plug. School was all but impossible for Sparky. He failed every subject in 8<sup>th</sup> grade. He flunked Physics, Latin, Algebra & English in high school. His record in sports wasn't any better. Although he did manage to make the school's golf team, he promptly lost the only important match of the season. Oh, there was a consolation match; he lost that too. Throughout his youth, Sparky was socially awkward. It wasn't that the other students didn't like him, it's just that no one really cared that much. Sparky was a loser. He, his classmates... everyone knew it. So, he learned to live with it. He made up his mind early that if things were meant to work out, they would. Otherwise, he would content himself with what appeared to be his inescapable mediocrity. One thing was important to sparky, drawing. He was proud of his artwork. In his senior year of high school, he submitted some cartoons to the yearbook. His editors rejected the concept. Despite this brush-off, Sparky was convinced of his ability. He even decided to become an artist. After completing high school, Sparky wrote Walt Disney Studios. They asked for samples of his artwork. Despite careful preparation, it was also rejected. One more confirmation that he was a loser. But Sparky still didn't give up. Instead, he decided to tell his own life's story in cartoons. The main character would be a little boy who symbolizes the perpetual loser & chronic underachiever. It was what he knew best. Sparky's cartoon character went on to become a cultural phenomenon of all sorts. People readily identified with this "lovable loser." He reminded people of the painful & embarrassing moments from their own past, of their pain & the shared humanity. The character soon became famous worldwide: "Charlie Brown." & Sparky, the boy whose many failures never kept him from trying, whose work was rejected again & again, ...is the highly successful cartoonist, Charles Schultz. His cartoon strip, "Peanuts," continues to inspire books, T-Shirts & Christmas specials. Reminding us, as someone once commented, that life somehow finds a way for all of us, even the losers. We all face difficulty & discouragement from time to time, but we also have a choice in how we handle it. *If we're persistent, if we hold fast to our faith, if we discover & develop the unique talents that each one of us have, then there is no limit to our potential. In the end, there are no "losers." Some winners just take longer to develop.*

# 3 Types of Markets

People generally only recognize two types of markets: bull markets, where things are going up and bear markets, where things are going down. When we combine these two types of markets for a long period of time with no overall progress above prior highs, we call these periods flat markets. We're most likely about to embark on a period of flat markets in the near future, perhaps for decades, the data tells us. Here is a long term look at markets. I want to focus on the red periods, which illustrate flat markets and the outcomes of those time periods.



1921 – 1929 looks eerily like 2009-2021. Food for thought!

If we look at 1929 -1955, this was the longest flat market thus far. 1966 – 1982 was another long, flat market. 1999 to 2013 was the most recent flat market. What will happen from 2021 – 2036 or 2046? None of us know for sure, but with the rate of ascent of markets lately and current valuations, it very much appears we could see another period just like these very long, flat markets we've seen in the past.

Within each of these flat periods, there are a lot of opportunities, so be excited about this. The key here is not getting ripped apart on the downswings and taking advantage of the upswings as best as possible. Money can be made both on the long and the short side of these periods if you're getting into and out of stocks, funds or ETF's when they get more expensive and buying them when they're less expensive. Likewise, if you short things when they're high and ride that down to lower levels, profits can be had on both sides of this process.

If you're just tracking an index, buying an index fund or an index tracking ETF, and if those products have a flat period of 10, 15, 20 or 25 years, you'll make no progress outside of any dividends that may be paid or reinvested. Today, dividends on the most popular securities and indices are negligible, so that will not likely be a large driver of returns moving forward. Very important data here; if you'd like to chat or meet about it call us anytime.



## Inspirational Quotes

- Work so hard that one day your signature will be considered an autograph.
- It is the mark of an educated mind to be able to entertain a thought without accepting it. - Aristotle
- The saddest aspect of life right now is that science gathers knowledge faster than society can gather wisdom. - Isaac Asimov
- Share our similarities, celebrate our differences. - M. Scott Peck
- No wise man ever wished to be younger. - Jonathan Swift
- The curious paradox is that when I accept myself just as I am, then I can change. - Carl Rogers
- Strong people don't put others down, they lift them up. - Michael Watson



**We can piece the puzzle together and make your money work for you!**

## Kids Corner

Kids need to eat crow sometimes. Life can't always be all fun and games. Despite the generational need to feel good about everything and be coddled, it's high time the generational youth of today suck it up. One could argue the country needs to adopt the motto of 'suck it up,' since everyone seems so offended by life. It's giving me agita. Life is sometimes hard, and learning can be painful, but none of that is bad or problematic.

The brick wall of life is going to hit our kids and grandkids at many points in life. The tougher and grittier our kids are, the better, and it will make life easier for them in the long run. We made it especially hard for our girls and we're very happy we did; now watching them do their things as young women in college, it's a joy to see them push hard and do well.

Running up against tough times and having to suck it up makes for a tougher person. As long as they never give up, the sky is the limit. The only thing limiting anyone today in America is the 1/4 inch of their skull. That's the longest distance anything will ever travel, just one quarter of one inch to get into someone's mind. Are you open minded or closed minded? Is your mind like cement, all mixed up and permanently set? 😊

If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They'll certainly appreciate you thinking about them and having their best interests at heart!

Name \_\_\_\_\_ Email \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

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